

ECONOMICS IN ACTION • SEPT. 1953

The boom-bust debate is still going strong. So far, betting odds are with the optimists, though the picture is far from clear:

Industrial production is still operating at near capacity...BUT inventories are also at a record high, while defense spending by industry may be slashed by as much as \$18 billion in the next two years.

Individual savings, always a good indicator of consumer strength, have climbed to a new post-war high of \$2.5 billion...BUT the record \$27 billion consumer debt suggests that some of us may be living beyond our means.

More Americans are holding down jobs than ever before and weekly factory wages have jumped \$13.09 since the start of the Korean war...BUT a record high cost of living is taking a large chunk out of this paycheck.

What all this means nobody really knows, although everyone is in there guessing. Most informed guessers believe that the boom will continue for the rest of the year, but at a slower pace with leveling tendencies.

Farming remains the soft spot. Agriculture officials are predicting that the harvests this year will be the third largest ever at a time when:

Farm product prices on all commodities except pork, which is selling at an all-time high, have fallen more than 15% since June 1950.

Farm income for the first six months this year is off 5% from 1952 and the rate of decline is increasing with each month.

ECONOMICS IN ACTION

Farm Exports have been declining steadily as European countries get back on their feet and start producing more.

Farm equipment companies are cutting production as demand slows down to a walk, and even steel companies begin to feel the pinch. Government marketing and production controls for 1954 are a sure bet, but nobody really likes the idea or thinks it a final solution.

The slide in farm prices has not brought more steaks to the dinner table, and both farmers and housewives would like to know why steak costs three times as much as live steer... "Middlemen" explain that only 47% of live steer ends up as steak in your butcher's window. This waste accounts for more than half the spread. The remainder is pocketed by the wholesaler, packer and retailer... Some Farm State Congressmen think this share is too big and may start investigating next session.

Apart from farm subsidies and controls, government is stepping out of business, though a little too gingerly to please some Republican Congressmen:

A three-man commission has been appointed to arrange for the sale of Uncle Sam's 28 synthetic rubber plants. Deadline for the sale has been set for January 31, 1955.

One new government agency will replace two old ones. The new Small Business Administration is taking over from the Small Defense Plants Administration, but on a more modest scale. Loans will be smaller and harder to get. (Cont. on page 63)

challenge

M A G A Z I N E

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ECONOMICS IN ACTION

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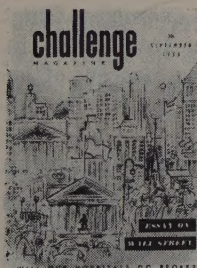
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a personal note

WHEN A CIVILIZATION comes to grips with a problem which has no absolute precedent in history, it is pretty much in the same position as a chef developing a new recipe. Because the recipe does not exist yet, the chef must experiment with a *little* of this, a *dash* of that, a *pinch* of the other thing, a *handful* of something else. He must get the "feel" of it first. After that, it is a relatively simple matter to measure the various ingredients and record the whole process in the books.

For all practical purposes, the most important step is to get the "feel" of it. In human affairs the results of this process might be called the *modus vivendi* of a people, or the consensus of a civilization. But whatever we call it, it is the result of experience.

Now then, is contemporary civilization in the United States ready to draw up a recipe which defines the relationship between private and public enterprise?

This personal note, last month and now, has been predicated upon the contention that there is a place for both public and private enterprise in the United States. And while there are those who will argue violently that the two cannot exist side by side, it seems to me that the contention made here is justified; for there are special circumstances in which private initiative is unable to function—and, indeed, should not be expected to function.

WHAT ARE these special circumstances? Here are some examples. They all represent enterprises of an unbusinesslike nature. Investment in them will not yield a financial return for a long, long time, if ever; often they will cost more than they are worth in money; and if you try to run them like a business, you will lose your shirt.

National Security—The Atomic Energy Program has already cost the taxpayers 11 billion dollars. It will cost many billions more before anyone enjoys the practical benefits of this enterprise. But who can doubt that this was a job which had to be done? And who can suggest that private sources could have supplied the money to finance the operation? To all intents and purposes, the tremendous investment put into the initial stages of developing atomic energy must be charged off to national security. Undoubtedly, the industrial uses of the atom, under the management of private enterprise, will eventually pay off—but only when we start keeping books after 1960, not before.

Regional Development—There was a crying need for water control and electric power in the Tennessee River valley. Private enterprise didn't do the job because economic conditions in the area made it impossible to operate on an economic basis. TVA was financed out of the public treasury and, as a subsidized enterprise, ultimately went into the power business. This raised a problem which still needs to be resolved. But would the country have been better off without the flood control and power development of TVA? Ask the people who live within the 40,000 square miles served by the Authority. Isn't it true that what is good for the Tennessee valley is good for the country?

Economic Depression—In these times of relative prosperity, talk about depressions is like dragging out the family skeleton. But there is plenty of talk among responsible people about how to avoid the painful symptoms of an economic slowdown, should one occur. Most plans suggested thus far seem to include some form of government investment in a program of public works. Does this not constitute a public enterprise? Would we be better off without it?

Agricultural Subsidies—This practice is nothing less than a redistribution of the wealth. Everyone seems to agree that it is bad; but no one seems to know how to get the government out of this billion-dollar-a-year business. After last year's books were cleared, Uncle Sam found himself 40 million dollars in the red because of this "business." Would private enterprise like to pick up the tab this year?

National Prestige—American hearts beat with the strong thump of pride when the superliner *United States* went into service last summer. To be sure, there were some national defense factors behind its construction. But I rather suspect that when most Americans contemplate the *United States*, its fine lines and its speed records suggest the beauty and the strength of America. Yet the taxpayer contributed 22 million dollars toward the construction of the ship, and it will cost the taxpayers 4 million dollars annually in operating subsidies. The present owners of the *United States* would be the first to deny that private enterprise, as it operates in the shipping industry today, can finance a first-class merchant marine. Should we do without a merchant marine?

These are just a few examples to justify the stand that public enterprise has a place in our economy. It is not to be construed that I am developing a case *against* private enterprise. On the contrary, I am

assuming that the case *for* private enterprise is so strong that it hardly needs justification.

But where are we to draw the line between private and public enterprise? In essence, this is the problem that confronts us today. This is the recipe we seek.

An examination of the examples given above suggests that there is in almost every case an element of necessity, almost urgency, present in enterprises financed by public money. This is as it should be. For if there is necessity, and particularly if there is urgency, human affairs cannot always be measured with the calipers of economic efficiency.

HAVING said that, however, I am aware that governments, under the protective cover of emergency powers, have perpetuated practices originally meant to be only temporary. Such a dangerous eventuality must have its safeguard, and in the matter of public enterprise government must be prepared to relinquish its role once its primary objectives have been achieved. We can call this the principle of the "first objective." If the primary purpose of a public enterprise is to build synthetic rubber plants because of a war situation, the government should get out of the rubber business when the rubber shortage is eased. If the primary purpose is to finance water and power development for an area of the country which sorely needs them, government must withdraw from the power business once the beneficial conditions have been created.

If the lawfully constituted political bodies feel there is a national or local necessity to expend public funds in the form of a public enterprise, then let it be done. It is to be expected that such investments will be uneconomic in the business sense, for it is not strictly for business reasons that the investments are made. But once the first objective has been achieved, it is no longer proper for government to remain "in business." Either the business ceases to be, or it is transferred to private management on the basis of a reasonable compensation to the public treasury.

There is a place for public enterprise in this limited sense—not as a matter of general policy but only as a creature of special circumstance, to exist until such time as necessity has been served and the first objective, as defined by law, achieved.

The exact differentiation between where private enterprise ends and public enterprise begins, and vice versa, remains to be worked out. This is the recipe we are seeking. That the recipe must be found I have no doubt. We are beginning to get the "feel" of it already.—HB

TOLL ROAD

Boon or Bugaboo



by Robert M. Hyatt

IT'S A FAR CRY from the rutted roads and jolting coaches of Colonial times to the super-expressways and streamlined autos of today—but one thing has remained the same. It is the toll road, main traffic artery of pioneering days; and now, it would seem, the most popular solution to our ever-increasing transportation headaches.

Yes, after a century's absence, the toll road is back again. But this time—instead of the make-shift affairs of earlier days when the traveler had his choice of paying a toll or putting in brief labor to help build the road—the modern toll gate unlocks a new experience

in motoring. Smooth, multiple-laned highways, minus traffic lights and frequent intersections, invite pleasant travel. And all yours for about one cent a mile!

If you live in an area that has no toll road, or if you've never driven over one, reserve your opinion until you have been initiated. And if you think this new pay-road idea is confined to a small Eastern area, look at these figures: twenty-nine states are considering toll legislation, and nineteen have already passed it. Right

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now, more than 1200 miles of tolls are in operation—turnpikes, parkways, throughways, freeways and expressways—and another thousand miles are on current state blueprints.

Unquestionably, the toll road is here to stay. But the subject is not without controversy—and the controversy is unlikely to end for some time to come. The supporters of toll roads believe that only those who use the highways should be obliged to pay for them; the opponents of toll roads believe that everyone who benefits from improved transportation, however indirectly, should be forced to bear the cost. Both sides of the issue have a bearing on our national economy, since transportation is one of our economic giants.

RIGHT OFF, you may ask why legislators in many states approve this historically controversial system of highway financing. Didn't the toll system fail in England in 1860 with the passing of the stagecoach? Yes, but only after 500 years of continuous operation! How about America? Our very first toll road opened in 1790, between Philadelphia and Lancaster. By 1850, Pennsylvania had 428 turnpike authorities going. In 1900 there were still more than 1000 miles of toll roads in that state, but by the early Twenties almost all had vanished. Yet, they

had a life span of almost 150 years.

The narrow bridges and hardly passable roads which carried mostly horse-drawn loads are obviously obsolete today. Modern transportation demands good roads for fast transit. Bottlenecks and traffic tieups in heavily traveled areas must be eliminated.

Enoch R. Needles, in the August 1951 issue of *Civil Engineering*, says: "Since World War II we have developed a motorized economy such as no one ever dared to predict. And our highway construction has not kept pace. In 1949 we built 5 million new motor vehicles and 20,000 miles of new highways. Stretched out bumper to bumper, 5 million cars reach just about 20,000 miles. In 1950 we built 8 million new motor vehicles and 20,700 miles of new highways—not enough new highways to provide parking space for the new vehicles."

A decade ago, moreover, modern highways could be built for less than half of what they cost now. Up-to-date highways vary in cost today anywhere from \$100,000 to \$8 million per mile, depending on individual construction problems and real estate values for right-of-way purchases. The recently completed 118-mile New Jersey Turnpike, for example, has cost about \$2 million per mile.

Advocates of toll roads claim that the only sensible solution for

our mounting traffic problem is the immediate construction of new highways, and the only way to construct them is through tolls, since the existing system of highway financing can't bear the cost.

In presenting the case for the toll road, these advocates further contend that there are actually no *free* roads in this nation; we pay a toll at every gas station. We pay several cents on every gallon of gasoline, and that tax—we've been led to believe—goes to build and maintain our highway system.

UNFORTUNATELY, much of the money we pay for gasoline taxes and license fees doesn't go into highway building at all. The National Highway Users Conference, Inc., an organization of truck and bus operators, says that abuse of highway-user funds — frequently of political origin — has been a prime mover behind the demand for toll-road systems. The two principal misuses of road funds are *diversion* and *dispersion*.

Diversion alone, which is the practice of spending highway-user taxes for non-highway purposes, is estimated to have cost over 93,000 miles of highways in the United States in a recent thirteen-year period. Only twenty-one states have anti-diversion amendments. Diversion can often be a lucrative source of state revenues—at the expense of needed highway

construction—as New Jersey illustrates. For instance, in 1950 that state diverted 42 percent of highway-user funds, amounting to a neat \$30 million.

Dispersion, the Conference explains, means spending road funds where expenditures are not justified by need. The hundreds of millions of dollars misused through dispersion could have built many miles of vital highways. As the American Automobile Association, which, incidentally, is opposed to toll roads, puts it: "The states generally have been guilty of spending a disproportionate amount of available funds on roads of comparatively minor traffic importance. There has been altogether too much spending of road money where voters live rather than where traffic moves."

Even the US Bureau of Public Roads, a determined opponent of tolls, admits that nearly half the highways which receive federal aid are in serious need of repairs. They comment: "It will take twenty years and about \$60 million to put our nationwide system of roads in 'just fair' driving condition." In fact, about 44 percent of today's highways will be completely worn out in another seven years. Add to this the total new highway construction needs at an estimated cost of \$42 billion and you have the size of the problem.

The forces opposed to toll roads

are many and formidable. The Department of Commerce and other federal groups oppose them at every turn, charging that the idea is "a return to Eighteenth Century thinking."

The National Highway Users Conference bitterly attacks the pet contention of toll road advocates—that the cost of toll roads should be carried only by their users.

SAYS the Conference in part: "It amounts to this—that the toll road has the advantage of forcing those who use a particular road to pay for it, instead of making others who may not use it pay.

"... this contention would result in complete chaos for our road system. Should this philosophy prevail, those motorists who travel principal highways would object to use of their highway taxes for any roads but those roads. The rural resident would balk at paying taxes for any roads but those in his immediate neighborhood which he uses most. This would be fiscal provincialism which, if we had practiced it in the past, would have throttled our highway development."

Perhaps the biggest question involved in the toll-road controversy is whether they will ever be paid off. According to the American Automobile Association, the toll highway or toll bridge should ideally "revert to the state

and become free after it has paid off its cost and upkeep. However, in the New York metropolitan area, for example, revenues from tolls of a completed facility are used for the building of a new facility and so on, it appears, *ad infinitum*."

In spite of the arguments against them, road planners in many of our states have gone toll-happy. They are designing a veritable network of fancy toll roads all over the country. They have two big arguments in their favor. One is the autoists' apparent willingness to pay extra to drive fast over highways that lack most of the headaches of free roads; and secondly, that tolls are actually financing new speedways and paying their upkeep, without calling on the taxpayer or federal aid. The Pennsylvania Turnpike, opened in 1940, is a shining example of fast and substantial returns. So is the Maine Turnpike, which grossed more than \$1 million in 1950—two years ahead of estimates.

That's about the way the toll road situation stacks up in America today, one of the hottest topics of debate our highway planners have ever tackled. Each side has logical arguments which must be studied objectively. But regardless of the findings, it seems toll roads are likely to be with us for a long time. ■

A Look at Alaska



—Courtesy American Museum of Natural History

wolves and waterpower, caribou and cellophane—these are the striking contrasts that mark our northernmost frontier

ACROSS THE ARCTIC TUNDRA grey forms bound silently toward a group of grazing caribou. Before the Eskimo hunters can head them off, the wolves have dragged down and mangled four young caribou calves, and the rest of the herd has scattered rapidly.

For centuries, this pattern has repeated itself, with man and the wolf both stalking the same prey. The rifle has replaced the bow and arrow, but in this primitive economy the caribou is still important as a mainstay of life and the hunt is the chief source of income.

Even in this far northern area,

however, modern technology is slowly unthawing the rigidity of custom. Because of new methods for safeguarding wildlife, the Eskimos of the Umiat region, 200 miles north of the Arctic Circle, can look forward to better days; they will have more game for meat and more hides for parkas and breeches.

As one of the major attempts to protect Alaska's game animals, the government's Fish and Wildlife Service, in 1952, declared war on the timber wolf. Using light airplanes, a group of conservation experts scoured the desolate tun-

dra for six weeks. At the end of their mission, they had sighted 339 wolves and shot or poisoned 259 of them.

Such vigorous measures are vitally needed to protect Alaska's wildlife resources. Out of a population estimated at 160,000 in 1953, some 32,000 Alaskans—mainly Eskimos and Indians—rely largely on wildlife for their livelihood. Along the coast they hunt the walrus and the seal; inland, they rely on reindeer, caribou and moose for food, clothing and income. Once the Eskimo's main food, caribou meat is still essential to them and to the white population as well. But the Alaskans of the central and southern areas now must count more heavily on the moose, since it does not so often fall victim to the far-ranging wolf.

To a great extent, the emphasis that must now be placed on conservation is the result of the advance of civilization. Students of wildlife maintain that before the white man came predators and game animals lived in a natural balance, which has since been upset. Formerly, between one and two million caribou (the native North American reindeer) roamed unceasingly over the tundra-land north of the great forests, in herds of up to 50,000. There now remain some 160,000 in the whole of the territory, seven-eighths of

them beyond the Arctic Circle.

The same shrinkage is also true of reindeer herds. First introduced into Alaska toward the end of the Nineteenth Century, the European reindeer thrived amazingly. The herds reached a peak of 713,000 head in 1929 and then underwent a rapid decline—the so-called “reindeer crash”—to a low of 25,000 in 1950. Their decrease, like that of the caribou, was only partly caused by the increase in wolves. Major causes were overpopulation, overgrazing and the great fires which have destroyed the feeding grounds of the interior. Nearly 8000 square miles have been known to burn in a year, and for fifty years the average has been more than 1500 square miles annually.

THE GRADUAL PASSING of the reindeer and the caribou symbolizes the near passing of the old hunting economy. But this is no longer the tragedy it would once have been. Men now count in millions of dollars, not in thousands of caribou, for the modern age and its technology have penetrated the last frontier, bringing new industries to the wilderness.

More and more, the Eskimos and the Indians work for wages. The population rose 77 percent from 1940 to 1950, and Alaska—which is twice the size of Texas, with Michigan thrown in—now

has as many inhabitants as Nevada. Fur-trapping, except for seal skins, has declined and will probably never regain its former position in the economy; furs brought in a revenue of \$3.5 million in 1948, but less than \$1.7 million in 1951. Although fishing and canning are still Alaska's leading industries, their current annual revenue of \$100 million is only half the pre-war average.

New industries, however, have arisen to take their place. In the face of a world-wide shortage of wood-pulp, Alaska's timber resources are being extensively exploited. Still under the control of conservation experts, the 16-million acre Tongass National Forest is being extensively cut for the first time in eighty-five years. A \$46 million wood-pulp plant—Alaska's first—will go into production near Ketchikan in 1954. The American Viscose Corp., multi-million manufacturer of cellophane and rayon, will take all of its eventual capacity of 550 tons of pulp daily. A plywood factory will soon be erected in Juneau, the capital city, and another company plans to build a \$56.5 million newsprint plant. It is estimated that Alaska's national forests could produce a million tons of newsprint a year—one-sixth of US consumption—and, with reforestation, continue this almost indefinitely.

Alaska is truly the last frontier for cheap electric power. It has some 200 potential water-power sites, which could generate electricity equal to half the production of all the hydroelectric plants in the United States. This would almost cover the projected plan of private utilities to boost electric generating capacity by 50 percent during the next decade. The Aluminum Company of America, which needs to know how much it will be paying for electricity fifty years from now, is still hopeful that it can go ahead with a \$700 million dam and aluminum smelting project near Skagway.

ALASKA still has her large problems: winter unemployment, the need for food imports, and, in spite of the Alcan Highway, high transportation costs. Her economy is currently primed by defense spending, for the government this year awarded her some \$240 million in construction contracts—about twice the annual return from wildlife, fisheries, mines and forests. But with manufacturing and power development moving ahead, and polar air routes gaining in importance, more and more of Alaska is bound to feel the impact of new ways. The wolf still roams the frontier, but the frontier is shrinking before the technology of an atomic age. ■



*many things have changed
on the street that runs*

between the river and the cemetery

by Wilfred Weiss

DURING A Congressional investigation of the commodity markets, when everybody got the idea of making a few million dollars out of a couple of bushels of oats, two elderly maiden ladies visited the New York Stock Exchange. As they started out on the visitors' gallery, a guard politely explained to the one clutching a brown paper parcel that packages have to be checked. The Exchange takes no chances with disgruntled investors flinging vegetables or hardware at the hard-working brokers on the floor below.

After whispered consultation, the ladies decided to go out on the gallery one at a time, the other remaining with the package. After both had peered down at the floor, which looks like a railroad terminal with a lot of information booths, they whispered together again. Finally they approached the young man in



charge of the reception room and told him that they had decided to invest the money in their parcel in commodities. But first they wanted to see some of the corn and wheat.

The young man, who claims to have the balanced temper of a tightrope walker, explained that, first, the New York Stock Exchange deals in securities, not commodities; and second, that the public cannot buy directly from the floor of an exchange. With an angry "humph," the ladies replied that that was a peculiar way to run a business and marched out.

Such innocents cause Wall Street some of its most sleepless nights, and are supposed to have caused Owen D. Young to remark that

Wall Street doesn't fear a crook as much as an honest man who doesn't know what he's doing.

AS ONE BROKER sorrowfully complained, "We spend millions of dollars to explain what we are, but it seems that the more we explain, the less the public is willing to understand." When you ask, "What is Wall Street?" you may receive anything from a terse, "It's a place where things are bought and sold," to an hour or more of dissertation on the world's financial structure.

At least several of the answers are bound to include the wryly facetious description that "It is the street bounded at one end by a cemetery and at the other by a river," referring to the fact that it starts at Trinity Cemetery and winds over to the East River. Actually, what is usually meant when people speak of Wall Street is that area about a mile square on the lower end of Manhattan, which contains the New York Stock Exchange building, most of the brokerage offices, and branches of various securities and commodities exchanges located all over the country and in odd parts of the world from Corpus Christi to Shanghai.

In essence, the trading that

keeps these exchanges going has existed ever since the first farmer harvested a crop for sale. The farmer has always gambled on a decision to sell immediately because he feels that prices will not rise and may fall, or to hold his crops because he feels that the market will rise and give him a better price later. Some gamble is involved whether he wants it there or not, because there is always the possibility of a rise or fall in prices between the time he plants his crop and the time he harvests it. When he tries to beat the possibility of a falling price, by selling his crop at the current price, before it is grown, he is doing what any bear (or short trader) does in any market. The man who buys it from him (a bull, or long trader) hopes that by the time of harvest and delivery the price of the crop will have exceeded what he presently pays.

A STOCK or commodity exchange is, of course, a place where items are bought and sold, operating somewhat like the Fulton Fish Market or the Front Street Farmers' Market. The main difference is that if you want to buy or sell a haddock or a basket of peaches, you can go directly to the market and make your bid or offer, while on the exchanges you must deal through brokers. If your broker is not a member of an exchange

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listing the stock you want, he deals through a broker who owns a seat on that exchange.

Though the member is said to own a "seat" on the exchange, there is no place to sit down. The New York Stock Exchange, for example, looks like an armory studded with semi-circular booths on which are listed the securities traded at that particular post. No one is allowed on the floor except members and special clerks. On active days the floor is a babel and confusion that only the initiated can interpret.

Suppose you decide to buy a hundred shares of Amalgamated Button Holes. You tell your broker that you want to buy it either at a specified price or the price prevailing on the market at that time. Outside New York the broker relays the order to a New York office, which immediately forwards it to the floor of the exchange. A number flashing on a huge board informs the broker's floor member that he's wanted, and he goes to his telephone. If the order was for a stated price, he waits until the stock is offered at that price, or less, and makes the purchase. If the order was for the market price, he immediately goes to the booth where the stock is traded.

If it is a popular stock, to be bought at market price, the transaction can probably be made with-

out delay, because there is usually someone some place as anxious to sell as you are to buy. As in horse races, a difference of opinion is what makes the stock market active.

The horse race analogy, though, is not completely fair. When you buy a share of stock, you are actually buying something tangible, which continues to exist regardless of fluctuating prices. Buying a share of stock in a billion-dollar corporation like General Motors or U. S. Steel is no different from buying a share in the corner ice-cream parlor. The owner of the ice-cream parlor makes a profit, and you receive a share of the profit equal to the proportion of your investment to the total profit of the business. That's your dividend. On the other hand, business may not improve, and there may not be a profit to pay you a dividend.

If business has improved, your neighbor may stroll over some evening and say, "I hear you own a share of the ice-cream parlor. I'll give you six hundred bucks for it." The quotation on your stock has risen. But if business didn't improve, he might offer you only four hundred dollars; the quotation on your stock has gone down. Unlike the horse player, though, you still own a share of the business even if the price goes down, and it is still possible to earn

a dividend on your investment.

Ordinarily there is some relation between a stock's price and the earning it will yield. It has been considered axiomatic by investors that ten times a stock's established earning is a fair price. In periods of excited speculation or extreme caution, though, that doesn't always hold true. A few years ago, for instance, during a period of caution, it was possible to buy some of the bluest of the so-called blue-chip stocks for as little as three or four times their annual earnings, which inspired Wall Streeters to remark that theirs was the "only business in the country not hit by inflation."

THOUGH the New York and other exchanges have made a strong and expensive effort to educate the public, the public's reaction has been less than impressive. A customer's man in one brokerage firm tells of a young chap who came in to buy some stock with recently inherited money. He explained diffidently, "This is the first time I've ever bought any stock and I think maybe I'd better buy common stock. I'm just an ordinary person and I didn't inherit so awful much money."

When that story was relayed to another broker, he replied, "Don't laugh too hard. Some time ago I had a woman sweep in here in a

cloud of mink and Chanel No. 5. Her husband had recently hit a Louisiana oil jackpot. She assured me that they traveled with only the highest class of people now, and since many of the women in her set dabbled in the market, she thought she'd like to also. 'Of course,' she said, 'I'll want nothing but preferred quality. I wouldn't want anything cheap.'"

She was quite confused when he explained that preferred stock merely means that the stock usually has a fixed dividend, paid before other dividends, which makes it somewhat less risky than common stock, on which the dividends are paid after all other obligations are met. If it has been a highly profitable year, the dividend is likely to be greater on common stock than on preferred. If it has been a middling or bad year, the common stock dividend can be less or nothing at all.

Seeing that she had lost interest, he suggested that she might be interested in bonds. She told him no thanks, she had bought her share of bonds during the war. The broker explained that he was referring to corporation bonds, not government bonds. Unlike stock, which is ownership of a share of the business and which carries no obligation on the part of the corporation to repay the investment, a bond is merely a loan, with a fixed rate of interest

and a guarantee to repay the face value at a specified date. The oil lady having decided there was no social boost in the stock market, said "no thanks" again and went her way.

THE VARIETY of ideas people acquire about the business of buying stock appears to be without number. Most of them are uninformed or half-informed and can be costly. Nowhere is the pride of opinion as expensive as in the stock market. How expensive a half-informed opinion could be was demonstrated to a young man who called at a brokerage office shortly after his discharge from the army. As the result of conversations with several barracks-experts he'd met in the army, he had worked out a plan to secure his future.

He had budgeted himself to put aside \$50 a month from his salary, with which he wanted to buy a certain stock selling at approximately \$8 a share. He figured that the price was so low because the company had been practically out of production due to wartime shortage of materials. Once materials were available, he explained, production and sales would quickly rise to a peak, dividends would roll in, and the price of the stock would boom.

He was disillusioned fast. Assuming that everything he expected happened, the broker suggested,

he was nevertheless tying up his money for two years without return. Then there were a few items he hadn't thought of. Stocks are regularly traded in round lots, parcels of a hundred shares usually. Less than a hundred shares is called an odd lot, which has to be bought from an odd-lot dealer, who, by law, is allowed to charge one-eighth more than the last market quotation per share. Where in round-lot sales the seller pays the taxes on the transactions, in odd-lot deals the buyer pays them (and pays them again, when he sells back to the odd-lot dealer).

Each month, according to his plan, the veteran would buy six shares selling at \$8.25 (assuming the price remained the same). To that he would have to add one-eighth per share for broker's fee, and about twelve cents per share for taxes. It would cost him about \$9.49 per share for a stock selling at \$8.25. "Even if the company makes the post-war recovery you expect," the broker told him, "buying the stock in small odd lots would put you too far behind to make the profit you're entitled to on your money over a reasonable length of time."

The broker suggested government bonds, as a secure investment and one which would actually pay as much as stocks in small odd lots. But the ex-GI had bought bonds in the army, and now felt

in the mood to take risks which would give him a chance for bigger returns. The broker won him over to an investment-trust mutual fund, a company which sells shares in itself, using the money to invest in the most advantageous way it can devise. If its judgment is good, and the stocks it buys make money, the profits are divided *pro rata* among the investors.

THAT WAS two years ago. The investment trust has proven to be a conservative venture, bringing the ex-GI a profit somewhat better than government bonds. The company in which he planned to make a killing has gone into high production, but its costs have been so high that it hasn't declared a dividend.

The thing that still impresses the ex-GI is the courtesy he received from the broker. "The guy gave me as much attention as if it were a thousand-dollar deal. And he tried to work out what was best for me even if he didn't make a dime. That's not the way I had Wall Street figured." It is also not the way he would have found Wall Street before the war. The small investor was hardly more than tolerated; there were the big wheels to be kept greased. Today things are different; Wall Street is worried about its reputation and about the diminishing number of big investors. Most brokers

are doing their best to learn how to win friends; they're advertising directly to the public and offering just about any service a customer can think of.

According to some observers, there is a new type of operator in Wall Street, largely because of the changed conditions. Wall Street wants to be considered serious and solid, not a target of Congressional investigations. The old playboy broker is an extinct species for the most part; and with his passing, Wall Street is trying to get rid of the conception that it caters to the carriage trade exclusively. It brags of customers who belong to labor unions; one firm boasts that 40 percent of its clients are in the less than five-thousand-dollar income bracket.

Most of Wall Street wants it that way. They have become allergic to investigations and scandals. They remember with a shudder a president of the Exchange who went to jail for sleight-of-hand operations. They've begun to realize how vulnerable they are. Ninety percent of their business, for instance, is conducted by telephone or telegraph, which means that if the public ever stopped trusting them, they'd be out of business. They're trying so hard to put themselves beyond the breath of suspicion, you'd think they were candidates for Caesar's wife. ■

Is a Farm Depression Likely?

With income falling off, some food growers see hard times returning. But they may be wrong.

by *Ross L. Holman*

WITH LIVESTOCK and crop surpluses piling up in 1921, one farmer shipped a carload of sheep to Kansas City and on its arrival received this wire from the freight office:

"Sheep refused for lack of market and sold by railroad company for costs. They lacked \$11.20 meeting freight charges. Please send us this amount immediately."

The farmer wired back, "I don't have any money but I can send you more sheep."

From this period onward, with crop surpluses far exceeding what the country was willing to consume at prices profitable to them, farmers underwent two decades of rising mortgages and wholesale foreclosures. With fairly good beef cattle dipping to 2 cents a pound, corn to 15 cents a bushel, and wheat to 30 cents, it was hard for them to become enthusiastic over such political slogans as "two chickens in every pot." What they needed was two stomachs in every consumer.

As one losing landowner put it, "Farming is no longer a gamble.

It's now a dead certainty."

This background helps us understand the jitters many people now feel over recent declines in beef, corn and other farm products. Many land owners think they see the same old pattern reshaping itself in the recent drop of choice cattle from \$37.25 per 100 pounds to \$21.40 (in Chicago); or corn down 16 percent in eight months; hogs down 23 percent from their post-war high; cotton 20 percent and so on ad skiddum.

THE WELL-BEING of the farmer matters not only to him but to all of us. Few conditions can upset our economic stability more than can reversals in agriculture. If you doubt it, listen to the moans from Wall Street after one of the chief money crops goes into a tail-spin.

Agricultural income spreads across the entire nation. It provides the direct living of one-sixth

Mr. Holman, former farmer, editor of a farm journal and Publicity Director of the Tennessee Farm Bureau, writes on a full-time basis for several magazines.

of the people. In addition, much of our non-farm population lives in rural towns and villages and depends heavily on the buying power of the surrounding farmers. Any weakening of this buying power severely cuts that of the people as a whole.

Do the latest agricultural declines indicate another farm depression like the last one which for twenty years gripped the farmer in near-penury?

The most recent reports from the Bureau of Agricultural Economics show the estimated 1952 net farm income off about 20 percent from the \$16.7 billion high of 1947. This still amounts to three times the pre-war average of 1935-39 and seven times the depression low of 1932. However, with the exception of one year, the 1952 income is the lowest in purchasing power for the past ten years.

Farm exports for 1952 fell 15 percent below the \$4 billion of the year before. The farmer's share of the total national income bulks less than in 1932 and a whale of a lot less than in his best year of 1946. Furthermore the farm parity ratio has dropped from a high of 113 percent in 1946 to 94 percent today.

Have you forgotten what parity is? It's what a farmer's income will buy now in proportion to what it would have bought in the pros-

perous years of 1910 through 1914. In other words a 1953 bushel of corn, in order to be on a parity level with a 1910-14 bushel, must buy just as much.

The present 94 percent parity means farm products as a whole can be exchanged for only 94 percent as many things as the same products would have bought in the base period. This springs from the fact that while prices of cattle, hogs and so forth have dropped, the prices that farmers pay for the tools and supplies they use have not.

NEVERTHELESS, despite recent omens, a close look reveals that farmers in general stand on much firmer ground today than they did during the declines which followed the First World War. Their financial condition compares brightly with that of the Twenties and Thirties, and they have learned much to keep them from repeating past mistakes.

The reasons landowners got into such a mess the last time trace back to the inflated prices of World War I. These prices were the first of the kind seen in generations. Generally speaking, landowners didn't anticipate a downward adjustment. Neither did bankers and money-lenders, who counted on the lofty price level to support a record high credit level.

Expecting prices to continue

high, many farmers increased their mortgage debt. By 1920 their total debt amounted to nearly three times what it was at the beginning of the war. The credit was used to acquire additional land, livestock and equipment—all at inflated prices.

When the first sharp decline in the prices of farm products hit in late 1920, farmers had very little in bank balances and liquid capital to absorb the shock. Banks and money lenders—also hurt by the decline—began calling in their loans. Pressed to pay up, farmers began dumping their products on the market to raise as much quick cash as possible. This glutting of the market, of course, depressed prices still further.

I recall a friend who decided to quit the dairy business because his milk receipts failed even to pay for feed. Unable to sell his cows to other dairy farmers, he offered them for beef. Failing in this, and otherwise having to pour expensive grain down the bellies of his twenty-five cows without hope of return, he shot them.

With these experiences fresh in mind, farmers are in better shape to cope with the next financial tornado if one turns up.

THE PRESENT farm mortgage debt of less than \$6 billion is almost a third less than it was at the end of the First World War and almost

Factors Favoring Farmers Today

- Low mortgage and personal debt
- Large savings and other liquid assets
- High income, fairly evenly distributed
- Fewer and bigger farms; smaller farm population
- Price supports
- Marketing agreements
- The farm bloc in Congress
- Mechanization

down to half the depression peak of \$10.7 billion. This despite the fact that the value of farm land securing the present debt is more than double the value of the same land that secured the peak debt.

Present official figures place total farm debts of all kinds (mortgage and personal) at \$14.4 billion. Over against this figure farmers hold in bank deposits, currency, US Savings Bonds and other liquid assets, a comfortable total of barely less than \$22 billion. In short, they could, if they chose, pay off all debts and still have their farms and over \$7.5 billion with which to sit out anybody's depression.

Instead of using the rising income of the Second World War to build a top-heavy credit, they used it to reduce their debts. While both mortgage and personal debts have risen slightly since 1946, the farmer's assets at the beginning of the present decline were at an

all-time high. Latest figures show average cash receipts per farm were \$5398 for the nation's 5,382,162 farms.

ANOTHER FACTOR that brightens the total picture is that the present larger farm incomes of all farms are divided among a much smaller farm population than were the small incomes of the Twenties and Thirties.

Since 1925 the number of farms has dropped by about 16 percent, while the farm population has dropped by almost 25 percent. The average size of farms has increased from 143 acres in 1925 to 215.3 acres in 1950.

One of the most potent guarantees against another farm collapse is the present array of government price supports. Farmers were not covered by any of them during past declines.

Prices are now supported by crop loans on six basic commodities—corn, wheat, tobacco, peanuts, cotton and rice. If a farmer can't get 90 percent of parity for any one of these crops he can borrow from the government a loan amounting to that 90 percent, and put his crop up as collateral. If the market stays below 90 percent, the government is stuck with the crop. If it goes up the farmer can sell at the market price and pay off his loan.

Until recent market declines,

the general parity level had held above 100 percent and the government had to take over only a few products.

Why, then, are so many farmers selling their crops for less than the government-supported 90 percent? Why, for instance, are they willing to take a loss of as much as 50 cents on a bushel of wheat rather than take the government loan?

In many cases they have no choice. Low-grade wheat or corn, which would spoil in storage, is not eligible for loans, and farmers must get rid of it as best they can. Also, there is a storage or "carrying" charge deductible from the 90 percent parity support. Many small farmers, who need ready cash in a hurry, are unwilling to face delays and red tape for a few cents' profit.

The principal reason why farmers are selling below government-supported price levels, however, is a shortage of storage bins. Our bumper harvest this year—which the Agriculture Department predicts will be the third largest in our history—caught both the farmers and Administration officials unawares. Federal farm bins presently accommodate about 545 million bushels and Federal farm officials already have their hands full with a 90 million bushel surplus. Additional bins are being built, but until then many farmers will be forced to sell their crops on

the market or watch them rot.

To discourage ambitious farmers from overproducing in order to cash in on a profitable price support, the law provides that the Department of Agriculture can apply crop controls and/or marketing quotas. Excess production in one year may result in the crop acreage's being limited sufficiently the following year to reduce the supply. Also, if two-thirds of the farmers producing an over-supply crop agree by vote, quotas can be applied to the crop of the following year as to the amount they can sell.

Under a law passed early this summer, Secretary of Agriculture Benson is committed to limit national wheat production to the legal minimum of 62 million acres. This will mean a 20 percent cut from the 78 million acres sown for the 1953 crop.

Agriculture Department officials do not believe in acreage goals, especially since they are not binding and are, therefore, frequently ignored. Cotton is probably the best example. This spring, Secretary Benson asked farmers to seed 21.7 million acres, but they went ahead and planted 24.6 million acres.

Another protective feature: if the farmers do not vote market quotas, the government can reduce the loan rate substantially below the 90 percent parity level.

In addition to his supervision over the six basic crops, the Secretary of Agriculture may under certain conditions set support levels for other crops labeled "non-basic mandatory." As still another form of support, the government may purchase portions of some crops with "Section 32 funds." These funds are made up of 32 percent of receipts from customs.

With these funds the government may help support prices by purchases of certain specialized crops and dispose of them through school lunch programs, gifts to charitable institutions or by resale if the market justifies it. In such ways it has frequently eased the market on eggs and occasionally on potatoes, apples, dried prunes, dairy products, raisins and oranges.

Then again, market supports for many specialized or small-scale crops are working with reasonable success under "marketing agreements." These take in forty-odd milk markets throughout the country and apply in about thirty cases involving tree nuts, fruits and vegetables.

The agreements, made under supervision of federal referees, are worked out between representatives of producers and processors. Both groups agree to live up to the terms. This method smoothed out many difficulties in the Thirties.

Four-square behind all price support legislation, of course, stands the group of Congressmen and Senators known as the "farm bloc." In some sessions this bloc mounts strength enough to stop any farm legislation opposed by farm organizations and pass practically anything they support. It cuts across party lines.

THE FINAL development that will help absorb the shock of market declines is improved machinery.

By this means a farmer today produces crops at much less expense than in the Twenties and Thirties. With a corn picker he harvests 1000 bushels as fast as a hand picker can gather 100. His mechanical baler puts away ten bales of hay in an hour compared with the two bales once put up in

the same time by a crew of five men. With tractor power he cultivates several times as much land per hour and can keep going twenty-four hours a day instead of quitting at sundown as with mule or horse power.

Raising crops at less expense this way boosts the profits of each individual farmer, enabling him and all his fellows as a whole to go on saving and adding to their productive equipment. This acts to enhance the long-range stability of agriculture in relation to other sectors of the economy.

Thus, with vastly improved solvency, firm legislative underpinning and modern methods of operation, farmers by and large should be able to take the present agricultural recession in stride. ■



Just Average

The average cigaret contains about 1/1500th ounce of nicotine.

The average man would have to climb to the top of the 555-foot Washington Monument forty-eight times in order to lose one pound of fat.

The average person in the United States consumes 8.8 pounds of butter a year.

The average healthy sleeper shifts his position from twenty to forty-five times a night.

The average person can detect about 500,000 different colors.

A new producing oil well comes into being in the United States on the average of once every twenty-three minutes.

American bicyclists pedal an average of 274 miles a year.

SOCIAL SECURITY REVISITED

In this improbable drama, Mr. and Mrs. Public participate in the deliberations of the January 1954 session of Congress.

The question under discussion: "What is a sound and equitable national social security program?"

by Sam Shulsky

TIME: *Future Session of the Congress, early January, 1954.*

PLACE: *The floor of the House.*

CHARACTERS: *Mr. and Mrs. Public and the Hon. Speaker of the House.*

Mr. Public: Mr. Speaker, Members of the House of Representatives, Secretaries and Guests: Our newspapers tell us that the ignorance of most of the American people about their social security system is quite appalling! We understand that you are in session now to discuss the House Ways and Means subcommittee's proposed changes to the social security laws.

Mr. Speaker: That is correct, Mr. Public.

Mrs. Public: We also understand that in 1951 the law was amended to give social security coverage to 4,700,000 small businessmen. However, a survey made then revealed that 40 percent of these businessmen did not know they

were covered, 45 percent had never taken out social security cards, and 77 percent did not know how to pay the tax!

Mr. Speaker: Well, Ma'am?

Mrs. Public: Well, Sir, is there no way that the government could give the public more information on this subject? Perhaps handing out one-page leaflets at the polls at election time would do the trick.

Mr. Speaker: I think we might be able to work something out.

Mr. Public: My wife and I are lucky. We're farmers now, though we were formerly in business and paid into the social security fund. As I understand it, farming is a "non-covered" occupation under the present law, which means that my wife and I can make all we like at farming and still collect our social security at sixty-five.

Mr. Shulsky, Assistant Financial Editor of the New York "Journal-American" for the past twelve years, wrote this article on assignment for CHALLENGE MAGAZINE.

Mr. Speaker: That is correct.

Mrs. Public: But we have a friend who is *not* a farmer, who had reached retirement age and collected his social security for the first year of his retirement. Not knowing the details of the law at that time, he went into his own business. But when he tried to collect his social security, he was refused payment because he was making more than \$75 a month at his new business.

Mr. Speaker: That's true. As the law now stands, a retired worker earning more than \$75 a month must forego his retirement benefits for that month.

Mr. Public: Members of the Congress, as we see it, this feature of the social security program stands in the way of its universal application. For the sake of realism, we ought to abandon the limits now imposed on the earnings of people over sixty-five. Until 1951, the original limit of \$15 was still in force—which just goes to show you how much Congress can be depended upon to keep abreast of the times. (*General laughter throughout the House.*)

Mr. Speaker: When this limitation on earnings was first incorporated into the law, the country was in the midst of a depression. The theory that you had to get people off the labor market was con-

sidered fundamental to any plan for restoring the country to prosperity. Today we know that this is not only as uneconomic as killing little pigs and plowing under cotton, but that it runs counter to the best social thinking which holds that elderly people should not be forced to twiddle their thumbs if they feel they still have something to contribute to the nation's good.

Mr. Public: Exactly, Mr. Speaker. For some strange reason, also, once the retired worker has reached seventy-five, he can earn \$1,000 a month and still continue to receive his social security check. This may be a reward for longevity (*titters in the galleries*) or it may simply represent the government's odds against his getting a job after seventy-five. No matter what he earns a month, he is still not likely to acquire any yachts in his old age! Ironically enough, the wealthy retired executive who already owns a yacht can continue to clip coupons on *any* amount invested and still keep getting his social security check! I submit, Mr. Speaker, that the inequities of the present law in this regard seem mountainous!

Mr. Speaker: It is the intention of this session of the Congress to find an equitable solution to these inequalities.

Mrs. Public: We certainly hope,

with 63 million other job-holding Americans, that you *do* find this solution. (*Speaker nods.*)

Mrs. Public: Socially, a realistic retirement program attuned to the living costs of the day, would put an end to old-age dependency, which has often posed problems for children, and would replace parental alms-taking with dignified self-support. We would thus establish an age-class which gets its support as its due and not through charity. These people could lay as much claim to self-respect in old age as those able to build up private insurance annuities.

Mr. Speaker: Perhaps we shall come up with the answer to this.

Mr. Public: My wife and I feel that the answer must be a pay-as-you-go system. The present system, which theoretically has you pay in *now* for benefits you will receive in twenty, thirty or forty years, makes no sense at all, because it takes no account of what the economic climate will be at the time you retire. What we need is a tax on those working, sufficiently high to support those retired—to support them from current taxes attuned to present wage schedules and with benefit payments based on the current costs of living. Not

Social Security and You

Who is covered: Four out of five Americans who work for a living are currently protected by the provisions of the social security law. Five million people are currently receiving monthly insurance benefits because they have retired or because the person who supported them has died. The main groups still not covered by social security are: 4 million farm operators, 2.5 million state and local government employees, and 500,000 self-employed professionals.

Who pays what: Unless you are self-employed, your payments into the social security fund equal 3 percent of your monthly earnings—1½ percent coming out of your paycheck and the remaining 1½ percent contributed by your employer. If you are self-employed, your social security tax equals 2¼ percent of your earnings.

Who gets what: Benefit payments vary with the amount paid in over the years. They range from a low of \$25 a month to a top limit of \$85, with an additional allowance made for your wife if she is over sixty-five. These payments will usually be suspended if you earn more than \$75 a month after retirement. Should you die before reaching sixty-five (the age at which you are first eligible for social security benefits), your survivors will receive a maximum of \$255 for burial expenses. Your wife, if she remains unmarried and has dependent unmarried children under 18 in her care, will receive an allotment for herself and her children.

according to the reserves they accumulated or to what was the going wage for bricklayers in 1940! (*Laughter in the galleries.*)

Mr. Speaker: As I understand your meaning, then, Mr. Citizen, because it tends to link *future* payments with social security tax rates of the *past*, the present trust fund system serves to conceal the real meaning of a national retirement program.

Mr. Public: That is what I mean, Sir. Pay-as-you-go would reveal the cost and purpose of social security much more realistically than building up reserves and "squirreling" away dollars for use in 1985. The sooner the country understands that old-age retirement means *a sharing of living standards* by those now at work with those who have worked before, the clearer will be our thinking on what and how much we want to do about it. Undoubtedly, putting the plan on a pay-as-you-go basis would mean sharply increased payroll levies as the number of beneficiaries rose. But if our standard of living keeps going up the way it has been, this should not mean a greater burden—proportionately—than we now bear.

Mr. Speaker: That seems a fair judgment. After all, the only way we can possibly hope to support an increasingly aging population is by raising our levels of produc-

tion in manufacturing, farming.

Mr. Public: Certainly only pay-as-you-go can avoid the pitfalls of a system based on payment of a fixed number of dollars now for a fixed return in the future. If the dollar continues to lose value, benefits of \$80 or \$100 or even \$150 a month ten years hence will mean nothing but bitter old age for the recipient. If, by some miracle, the dollar should make a dramatic turnabout to the point where coffee once more sells at eighteen cents a pound and bread at six cents a loaf, a fixed \$150-a-month retirement payment would be bound to bring dissatisfaction among taxed workers once more earning only \$25 and \$30 a week.

Mr. Speaker: Neither taxes based on current salaries, nor benefits adjusted to current living costs should present insuperable difficulties in administration. Even now, millions of workers have their weekly wages adjusted quarterly according to a Bureau of Labor Statistics cost-of-living standard.

Mrs. Public: Such an adjustment program for social security taxes and benefits would certainly be far fairer to all concerned than the present method of operation.

Mr. Speaker: Yes, Mr. and Mrs. Public, you have made some very good points. But let me expand for

a moment on the background and reasons for the status of the present law—that is, its linking of future payments with social security tax rates of the past.

As of now, the Social Security Administration has piled up some \$17.6 billions of “reserves”—representing the surplus of payments by workers over the payout to retired beneficiaries. The excuse, of course, is that during the early years more money will come in than will be paid out; but that fifty years from now, when we

have almost 30 million people over sixty-five, we will have a surplus to cover the increased number of payments.

The fact that this money has been lent to the federal government and spent in recent years of mounting expenses is beside the point. What is to the point is the fact that this reserve feature has led people into the comforting belief that they are—as a nation—putting aside money today which will support them in their old age tomorrow. And that’s just not so.

Social Security Finance

How the fund is financed: Income into the fund is nearly \$4 billion a year, while benefits paid out are less than \$2.5 billion. The fund currently has a surplus of \$17 billion, and this surplus will continue to grow until the year 2000 when outgo will begin to exceed income.

The way this fund is being handled has been the subject of much controversy. Building up a full reserve that could pay benefits from income alone would require \$600 billion—an impossible amount. Therefore, instead of holding on to its reserve funds, the Social Security Administration gives the cash to the Treasury to be used for current government expenses and receives government bonds as IOUs. Consequently, when the fund does need extra cash, it will have to use the money that comes as interest on these bonds. That money will have to be raised from current taxation—quite the opposite of the original intent of the plan to provide in advance for all future payments.

This does not mean, as some have claimed, that double taxation occurs. If the government had not borrowed from the social security fund, it would have borrowed from another source, and the interest would eventually have come due anyway. What it does mean, however, is that the so-called “trust fund” method of finance is not really working, since the money for social security payments must eventually be made up from current taxation. It is for this reason that the backers of the pay-as-you-go plan advocate a system by which it would be frankly realized that support of the old must come out of current taxation. Today we assist our grandparents’ old age; tomorrow our grandchildren will pay for ours. Only in this way can an equitable and economically feasible method be worked out to help toward a sound living standard for those who are no longer employed.

Mr. Public: Of course not. How can it be? It's ridiculous to assume that a man and his employer putting aside a total of \$50 or \$100 or \$150 a year can build a fund whose interest will support that man at anything like what this country considers a decent standard of living. Why, in order to do that, we'd need a reserve fund of \$600 billion—35 times the current accumulation.

Mr. Speaker: And there is another thing, too, Mr. Citizen. There isn't a "mattress" big enough under which to hide any such sum! (*Applause in the galleries.*) No investment medium in the country is large enough to receive and hold a fund as gigantic as this program would require. The government would have to invest in and ultimately control *all* industry.

Mrs. Public: Heaven forbid! No social security program would be worth *that*!

Mr. Speaker: Therefore you would advocate "pay-as-you-go?"

Mr. and Mrs. Public (in unison): We would most certainly advocate it, Mr. Speaker.

Mr. Speaker: The future will undoubtedly point up other inequities in the social security program. A scheme so broad in its application and so far-reaching in its goal cannot hope to avoid them. But a great step toward meeting

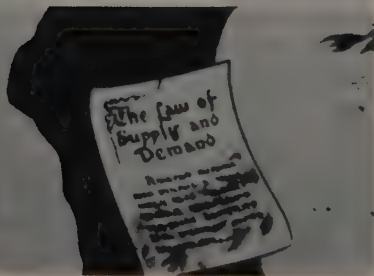
these problems will be the adoption of the attitude that social security is a "living" system and not a product of interest tables, slide rules and comptometers. (*Applause on the floor and in the galleries.*) A broad policy of equating both payroll taxes and retirement benefits to current economic levels is needed. Any program which has permitted intervals of four and thirteen years between amendments cannot work efficiently in a society which orders price controls on one commodity one week and removes allocations on the use of another the next. (*Applause among the Republican members.*)

Mrs. Public: On the other hand, a balanced, pay-as-you-go program adjusted to current needs would make for desirable economic and political stability.

Mr. Speaker: It would seem that your basic argument about having to take money from current production is sound. It is, however, now incumbent upon the Congress (*he turns to members on the floor*) to seek an equitable solution—provided pay-as-you-go *is* adopted by the Congress—that will not fall too heavily upon the present taxpayer and his employer. (*The Speaker bows to Mr. and Mrs. Public; they retire.*) The House will now take up the subcommittee reports on the subject of social security. ■

The Legend OF DAN AND GUS

... being the story
of two young and
ambitious brothers



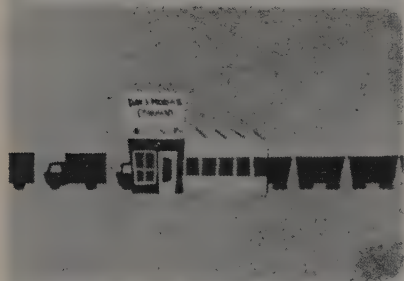
BITTEN by the bug of "making good" in the business world, Dan and Gus decide to explore the many possibilities that lie open in various fields. So they bid their parents farewell, each brother confident of the future and possibly aiming to outshine the other.

As they set out for the city, they are smart enough to realize that to get anywhere at all they will have to supply their fellow citizens with some goods and services that fill a definite need.

IN THE business world, the ancient law of supply and demand governs with an iron hand. And the brothers act accordingly. Dan decides to seek fame and fortune by trying to fill the need for doorknobs. He goes into the manufacturing business. Gus, realizing the need for natural gas with which to supply people's homes and factories, enters the public utilities field.

Before Gus can go into business, he must search out the available sources of natural gas. For this purpose, he sends out a team of trained geologists and geo-physicists who know where and how to look for gas reservoirs.

As for Dan, before he can turn the knob to his own factory, he must invent a practical doorknob, spend time in research and pay the salaries of skilled designers and engineers.

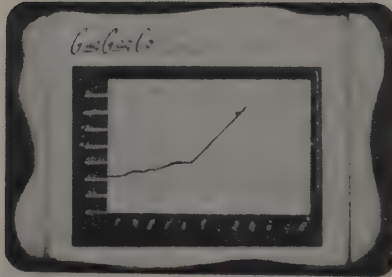


SINCE their initial funds were insufficient, Dan and Gus must raise more money. They outline their plans to the bank and make similar presentations to people who might become stockholders in their companies.

For the moment their financial problem is solved by bank loans and sale of stocks. Dan is about ready to go to work. But Gus must take an additional step. Since his gas company will be classed as a public service, he needs a franchise from the government. The checking up requires a long time.

MEANWHILE, Dan has obtained his building permit and goes ahead with his production plans, full steam. Dan has worked hard to introduce and sell his special doorknobs. As the demand for them builds up, Dan is able to set his own price. And consequently, he starts paying his creditors and stockholders.

As for Gus, government representatives are very careful in granting a franchise because it means giving him an exclusive territory in which no other company may sell natural gas. There is a good reason for this protection. If two or more companies invested in costly gas facilities, this duplication would result in higher rate costs per consumer.

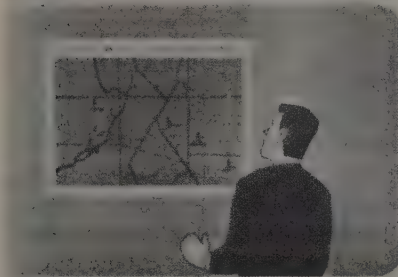
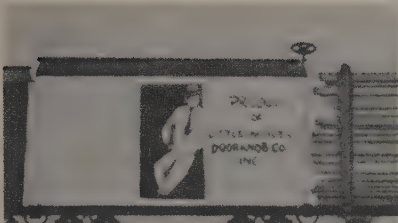


AFTER checking Gus' finances, consumer needs and the availability of natural gas, the government group finally grants a charter. But several provisos come with it. The gas company must make every effort to meet any consumer demand at any time; the price or rate to be charged is to be regulated by the government, based on what it considers to be a fair return on his investment.

As a chart in Gus' office indicates, the demand for natural gas is building up. That means that Gus, according to the franchise, must keep on expanding. For this reason he cannot pay off his debts as rapidly as he would like and must wait years before his investments even begin to pay returns.

For a while, demand for doorknobs and gas grows. With increased demand and short supply, Dan's doorknobs go up in price, but the price of natural gas remains the same—unless the government revises it.

What happens when there is a downward trend in business for Dan and Gus? Well, Dan meets the crisis by cutting back production, or even by making mousetraps. While the demand for gas is also down, it's not a drastic drop because gas for cooking and heating has become so essential that consumers cut budget-corners elsewhere. That and the franchise insure Gus profits.



When times improve, new and greater consumer demands create more problems. Dan finds that competitors have entered the market. He copes with them by designing more attractive knobs. Although Gus is protected against any natural gas competitor, he still has to persuade customers that his product has advantages over other fuels on the market.

Both brothers promote their products well, and before long they are faced with the need for further expansion. Again they turn to the bank and potential stockholders. Gus points to the growth possibilities over the years, while Dan recalls the high dividends when business is good. Both are successful in raising more money and throw their energies into expansion. Gus, as a result, charts areas for new exploration and natural gas drilling.

* * *

DAN and Gus are older and more experienced now. As they go home for their annual holiday visits with their parents, they no longer have their boyhood dreams of great glory. They've won something more important—the respect of their fellow men by the way they have contributed to a more prosperous life for all.

"The Legend of Dan and Gus" is based on an educational film produced and distributed by Columbia Gas system.

A NEW SLANT ON BUYING

*Ad
gimmicks
serve no
purpose
unless they
move the
subconscious
mind*

by Edward H. Weiss

HOW OFTEN HAVE you encountered a television commercial in which a girl is embraced by her sweetheart—while the announcer's voice drones in the background: "Thanks to such-and-such hair rinse, she finally got her man!"

Most advertisers of cosmetics and other women's goods, steeped in habit, pound home this theme without questioning its success or its power. My advertising agency, however, has investigated. We've gone to the social sciences—consulted anthropologists, sociologists, psychologists and psychiatrists—and conducted probing interviews with consumers.

As a result we're convinced the "Get Your Man" appeal does not warrant the major role many advertisers give it.

Women, we've learned, above all want strong reassurance of their femininity. Secondly, they want the approval or respect of other women. Only indirectly do they seek the admiring male glance.

Research reveals the common-sense reasons behind this. Women today compete with men in every field—business, education, science, politics, the arts. They have acquired almost all the freedoms of men. Consequently, many a woman fears that she may lose her

most precious trait—her femininity.

How do such disclosures matter economically?

We know how America's prosperity depends on keeping its productive capacity running in high gear, even without extraordinary defense activity. It's up to the advertising profession to surmount the emotional roadblocks of the consumer—to get him to buy the goods we can produce.

We've seen how the skills and knowledge of the physical sciences have for years been effectively utilized in industry. Isn't it reasonable to assume that today the social sciences could just as effectively be put to work? Should they not be put to work particularly in distribution and advertising, to help maintain the high consumer demand our country must have in the years to come?

Might not this also lead to lower selling costs and lower prices for goods, as well as to sounder relations between buyer and seller?

ADVERTISING today has expanded tremendously. It will consume \$7.25 billion this year. Much of this, however, is being misdirected. *Fortune* magazine has stated: "The language of advertising is no longer manipulating the consumer. It's not even making him mad. It's just boring hell out of him."

This is only partly right. The language of advertising is indeed a bit time-worn, but it's more likely that the advertising *ideas* have become sterile, not the words. To revitalize its sources of fresh, new, exciting ideas, advertising can no longer depend upon creative intuition alone.

New and untapped sources of understanding human behavior are now available; from these sources fresh ideas can be created. During the past thirty years in which advertising has been working its original stock of obvious and superficial appeals into the ground, the whole understanding of human behavior and how to influence it has been revolutionized.

To take advantage of what the social sciences have been revealing about the real motivations of people, my firm literally has gone back to school. We have collected a social science library. We meet regularly with social scientists in developing every creative idea. And we go to the consumer for interviews and tests to search out the feelings underlying his buying habits.

At this date, we've examined a number of standard advertising stereotypes like "Get Your Man." Let's see what our research has

This article is condensed from an address by Mr. Weiss, who is President of Weiss & Geller, Inc., Advertising, of Chicago and New York.

shown and what changes it suggests for the advertising we see and hear every day:

Stereotype A — The Negative Approach and the "Hard Sell." From the days of the traveling medicine show, the "hard sell," the "pitch," the warning or threat, have played a big part in selling. But we have found over and over again from interviews that people resent threats and coercion in advertising. Talk about throat irritation enough, for instance, and you find a trend away from the brand of cigarets that emphasizes it. Eventually the public comes to associate the product with the very danger it claims to avoid.

One hospitalization insurance ad, which stressed how much was paid in benefits, was four times as effective as another which frightened its audience with: "Why Gamble? The Odds Are Against You!"

People just don't like to be reminded of accident and disease. Threatening copy results in repulsion, not sales. Social scientists find that a threat is the easiest thing to forget when it derives from someone who has no real control over his listeners.

With one of our clients, the makers of Mogen David Wine, we discovered that we had been using the wrong type of television show as well as the wrong type of commercial. Our "private eye" pro-

gram drew a large audience, but it did not serve to get across our commercial as we wanted. It actually immobilized the audience with slight panic for a time, preventing them from remembering our selling message.

Since trying a relaxed panel show instead, and incorporating a calm, homey type of commercial, we've seen sales increases of 1085 percent in a year. In an interview a consumer told us: "You don't try to fool people . . . You don't try to shove it down their throats. People enjoy your commercials."

Stereotype B — Women Love Labor-Saving Devices. Everyone believes this one, even the women themselves. And the stereotype works, in a limited way. Women do suffer from fatigue and are tied down by tedious, outmoded methods. Yet the presumption that all women consider labor- and time-saving devices as unmixed blessings is exploded by studies of women's true needs.

Millions of women who could afford to buy some of these machines still don't do so. As an example, only 30 percent of all electrified homes contain an electric mixer. Why?

We know now that concentrating just on freeing women from household chores makes poor sense. A woman gets creative satisfaction from cooking, from ironing, from the loving care she gives

her family—the real fulfillment of her psychological role as wife and mother.

This role has been progressively depreciated by the way machines have been advertised to do the work that she, unconsciously, feels is “her work.” Motivation studies indicate that women begin to feel frustrated and inadequate when they hear, over and over, “Our product can do your job better and quicker than you can!”

In place of this theme, advertising should present products as tools to help women in their creative jobs, not as machines to replace the female human being.

Stereotype C—Nutrition Should Be a Major Claim for Breakfast Foods. In the breakfast-food industry the shop-worn phrase is: “A Nutritious Breakfast Starts You Off to a Good Day.” The necessity of good diet is well known. But there is also a significant body of literature, as yet untapped, on the emotional factors in eating.

Young adolescents—over 22 million of them—comprise a large potential market for breakfast foods. But the usual appeal based on nutrition, whether coming from parents or advertisements, receives at best an apathetic response.

The adolescent is struggling to assert his independence. It is easy for him to cut some of the ties

that bind him to home and mother by rejecting food; and breakfast, which is often not a family meal, is easiest to skip. By an occasional refusal to eat what he is told, a child symbolically refuses his mother's love and supervision.

Sales appeals that merely make obviously rational claims about nutrition don't get to the heart of this particular problem.

Stereotype D—Recipes in Food Ads Sell the Product. Food advertisers are hypnotized by the standard idea of selling by recipes. But despite some outstanding successes with this approach, we know that though women may read the recipes, they don't necessarily buy the product.

Psychologists say that women do not like to follow the advice of a female authority who represents a sort of “mother figure” and arouses elementary feelings of distrust and rivalry. Furthermore, they often would rather originate a recipe than follow one.

Advertisers, it's clear, must adapt themselves to this resistance to authority and must learn to stimulate the homemakers' own creativeness.

Stereotype E—One Sales Appeal for Everyone. It has been a favorite stereotype that you must not divert attention from the “main” selling appeal in an advertising campaign—that you must use one sales appeal on everybody,

male and female alike. This applies particularly to goods that are sold to both men and women, such as houses, furnishings, automobiles and appliances.

In Park Forest, a new suburban Chicago community of 24,000, we've discovered something about the widely different motivations of men and women in buying a home.

MEN SEEM to equate a home with the symbol of "mother," and need it as a place of comfort, solace and refuge from today's competitive life. This a man finds most frequently in a home of his own, much as he found security at his mother's side when a child. And we've found that an old home can attract a man to some extent more than a bright new one!

A woman's emotional needs in a home are quite different. Her home is an expression of herself, an extension of her personality. It is her opportunity to recreate herself in a more attractive, dramatic style. Newness in a home is what she wants above all—no

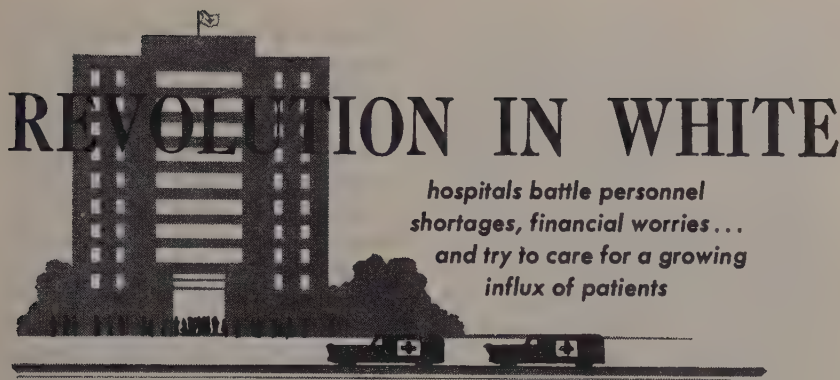
woman wants to live in another's skin.

Such insights provided by the social sciences place serious responsibilities on advertising. Guided by this knowledge, it may serve as a means of prediction, control and analysis which might strengthen our economy and benefit the American people. As business and advertising better understand the real needs and motivations of people, the better they may serve them. Such knowledge is a key-stone not for exploitation, but for integrity.

Such an understanding can right many of the advertising wrongs which conscientious advertising men know do exist. It can help advertising to become a more progressive technique, to become more honest, thus more effective—to forget about gimmicks and to concentrate on the real reasons why people buy goods. This, I believe, would bring about better advertising as well as an increase in the sale of goods—which, after all, is an important aspect of a forward-moving economy. ■

For Sale

A London company has been offering 5000 exotic islands for sale—but is finding few takers. All are in the British empire and at prices ranging from just a few dollars to hundreds of thousands. One of the islands off the coast of Australia can be rented for ninety-nine years for just \$28, while \$280 will get you one of the British Virgin Islands.



*hospitals battle personnel
shortages, financial worries . . .
and try to care for a growing
influx of patients*

by Cathy Covert

THE LAST HALF-CENTURY has brought revolutions of all types—the shooting kind, financial upheavals, psychological ones. And, say administrators, the revolution currently going on in the nation's hospitals is a combination of all of these.

Daily, this hospital revolution gathers force: more and more people are making use of hospitals; at the same time, outmoded equipment, a shortage of trained personnel and severe financial problems plague administrators. A radical change in the concepts of the function of medicine and hospitals is taking place.

Let's examine the various aspects of this revolution.

Miss Covert, a staff member of the Syracuse, N. Y., "Herald-Journal," won this year's Albert Lasker Medical Journalism Award for outstanding reporting on medical research and public health.

The hospitals in use today were built and are running now largely on your money, your gifts or your taxes. Of all the hospital beds in the country, 72 percent are in government hospitals. Another 24.5 percent are operated by voluntary non-profit hospitals dependent on income from patients and charity, and governed by a board of directors representing the community. Only 3.5 percent of these beds are in privately owned hospitals.

These hospitals are your concern because your life may some day be dependent on the care they give you. The chances are one in nine that you will enter a hospital this year. But the reasons for which you go are likely to be far less serious than they were a generation ago when only the desperately ill made use of hospital care.

Although the average hospital stay is shorter than it was a gen-

eration ago, the bill is a good deal higher. The average bill—\$150 in a typical industrial area—is enough to make you want to go back to your hospital room and lie down again. But there's nobody standing behind the door and chuckling over the profits as you put your money down.

The amount of the bill probably won't even reimburse the hospital for the money spent to get you on your feet again. Patient income in 1951 fell short of expenses by \$137,000 in the voluntary hospitals, according to the American Hospital Association. Almost any hospital that breaks even these days does so by the grace of God, the generosity of the government, or the fact that it can't get enough employees to make the sort of deficit it would ordinarily have.

BUT IN THE midst of financial crises, the hospital revolution sweeps on. Here are some of the major trends that dig deep into your pocketbook, but give you better health and longer life.

Rapid medical advances are changing the entire pattern of hospital care. Instead of just a place to keep the sick, today's hospital is a center for intensive diagnosis and treatment.

Hospital patients used to be content primarily with bed, board and tender loving care. Now they get expensive drugs, X-rays, lab-

oratory tests, concentrated nursing procedures, and treatment by professional specialists of all kinds. As a result, the average hospital stay has been cut from fifteen days in 1936 to eight days today. But the expensive and intensive treatments have also helped skyrocket hospital costs, which have more than doubled since 1946, according to the American Hospital Association.

Modern methods are also helping to outdate our hospitals. More than 40 percent of the nation's hospitals are at least forty years old, outmoded in terms of the best patient care, and increasingly expensive to maintain.

Hospitals must hire more and more people just when the nation faces its most serious shortage of trained hospital personnel.

The number of employees necessary to the average hospital has risen to 1.88 per patient. Now more than half the hospital budget goes for wages. Reasons include a patient turnover twice as great as it was thirty years ago, shorter work hours, addition of many new hospital departments, more complicated treatment, and the increasing addiction of hospital employees to the clock-watching habits that have long plagued other fields of endeavor. In addition, increasing competition from industry leaves a poorer type of employee for the hospitals.

Hospital costs are rising faster than the cost of living and may be as much as 20 percent higher in 1955 than they are today.

Factors influencing hospital costs are only partly related to the cost of living, according to Harry Becker, Associate Director of the Commission on Financing Hospital Care. The increase reflects not only inflation, he says, but expanded services to the patient, new techniques and higher general standards of care. As a result, hospital costs have risen about 1 percent a month for the past ten years and will probably continue to rise at the same rate for the next few years.

HOSPITALS are being transformed from charitable services for the poor to self-supporting services for the entire population.

Less than fifty years ago, hospitals were still essentially charitable institutions kindly provided by people in the upper economic brackets for those in the lower. Hospitals used to depend on the rich to take care of the poor. But high taxes and modern medical methods have changed all that. The upper economic classes now take advantage of medical care available only in hospitals. But hospital administrators are hard pressed to find replacements for the money once provided by the charitable from untaxed income.

And the poor they still have with them. Unlike the average business, the hospital is morally obliged to give its services to any consumer whether or not he is able to pay. To meet this unbusinesslike situation, hospitals have been forced into some unbusinesslike methods in an attempt to come out even.

They have tried keeping the much-publicized room rate as low as possible, spreading increased costs over the "extras," such as drugs, laboratory tests and other special services. Most of them try to make enough on the private patient to help pay for the indigent patient. Some have resorted to writing off more for plant depreciation than is used for plant improvement.

But such stop-gap methods provide no long-term answer to the problem of who is going to pay for the increasing amount of hospital care demanded by the American public.

The best solution, according to a majority of hospital leaders, lies in improving the ways in which people can pay their own bills, and in increasing efficiency in hospital management.

A person who must use the hospital can most easily pay the bill, hospital people say, through some form of hospital insurance. This type of coverage has enjoyed phenomenal popularity in its short

life. In 1939, less than 5 percent of the population had any sort of pre-paid care; now over half has such protection. Last year, according to AHA figures, Blue Cross payments paid fully or partially for 33 percent of all patient days; commercial insurance, for 18.8; government, 7.8; and patients themselves paid for 40.4 percent.

Such plans, Becker predicts, purchased either by the prospective patient or by some governmental or charitable agency in behalf of the indigent, can ultimately work successfully for 90 to 95 percent of the population.

Until such a plan becomes workable for the low-income or no-wage group, hospital leaders are pushing for legislation that will provide full government reimbursement to the hospitals for the care of welfare patients. Last year, receipts from government agencies for care of the indigent were \$10.93 per day, but hospital rates as calculated by the government reimbursable-cost formula averaged \$15.17 per patient day for the country as a whole.

Increased productivity and efficiency in the hospital, leaders believe, can best be obtained through:

- Reduction in the unit costs of service through more effective utilization of beds, diagnostic and treatment facilities.

- Uniform cost accounting and statistical methods. Rufus Rorem,

Executive Director of the Philadelphia Hospital Council, thinks that information obtained through adequate records and reports could save about \$50,000 annually in a 200-bed hospital.

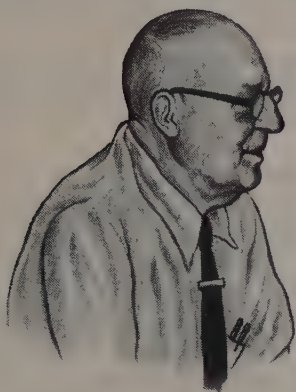
- More scientific procurement and use of supplies including adoption of uniform standards, joint buying with other hospitals, and systematic storage and issuance procedures.

- Enlightened personnel practices, such as allocation of an appropriate proportion of patient care to non-professional help. Harper Hospital in Detroit found that 70 percent of the care of medical patients could be given by nursing assistants, relieving the professional nurse for duties worthy of her qualifications.

- Coordinated community and nation-wide study to insure the best hospital care for the greatest number of people. On a national scale, the Commission on Financing Hospital Care is making an extensive study of the best way to pay the nation's hospital bill.

A program along the lines listed may enable the hospitals to meet financially the needs of a growing population, provide more effective preventive health programs, and expand their service as community health centers. And this will help bring about a successful conclusion to the current revolution in white. ■

Metamora's Tireless Inventor



he gave us the first:

- electric range
- automatic toaster
- rubber ice tray
- run-proofing process
- and 646 more devices

by Henry Charles Suter

FOR THE PAST fifty years, the inventions of Lloyd G. Copeman of Metamora, Michigan, have made life easier for millions of American women—and the steady royalties, Copeman admits, have made life easier for him. Now a white-haired, bespectacled gentleman in his seventies, Copeman is still going strong.

"I am still active and hope to continue doing the same kind of work I have always done," Copeman said in an interview on the farm near Metamora where he was born and where he has spent practically all of his life. "To be forced to discontinue my work would be disastrous to my morale."

Among the 650 inventions he has perfected—working through The Copeman Laboratories Com-

pany near his home—are surgical instruments, electrical cooking and heating equipment, fabrics, and a process for runproof hosiery.

Copeman is quick to discourage any thought that he has a spectacular talent: "Inventing is just a job for which some individuals are perhaps more adapted than others." Copeman's inventive bent was revealed at the age of ten, when he figured out a way to eliminate his daily chore of turning the farm grindstone. Young Copeman rigged up a mechanical implement which performed the task and freed him for loftier pursuits like swimming and fishing.

The inventor received his first

Mr. Suter, a free-lance writer, has contributed to several national magazines.

patent in 1901 on an instrument for internal surgery. After that, he worked on a variety of gadgets which found quick acceptance. By 1918, he had progressed to the point where he could sell The Copeman Electric Stove Company—along with the first patent for an electric range—to Westinghouse. The same year, he founded the Copeman Laboratories Company. The Laboratories do not manufacture products—they develop ideas, patent them and sell them to manufacturers.

One of these ideas has been the rubber ice tray for refrigerators, which was licensed exclusively to General Motors Corporation. Copeman mildly admits that it has proved “a very profitable invention, both to GM and to Copeman Laboratories.” Some reports place royalties on the ice trays at almost \$1 million, and on the automatic toaster, another Copeman innovation, at around \$500,000.

Currently, Copeman Laboratories are awaiting word from Washington about another of their inventions—a latex-sealed envelope. So far, the government is interested in three variations of this idea. One version is a tamper-proof envelope to insure secrecy for official documents. A second use for the product—which the Navy is testing—is as a water-proof covering for explosives; it keeps water out, detonators in.

The Marine Corps is testing a third variation: when fungus-arresting chemicals are added to the latex, the envelope has great value as a mildew-proof wrapper for supplies sent to damp tropical regions.

INVENTING seems to run in the Copeman family. Copeman's eldest daughter, Mrs. Ruth Mary Ronstadt of Tucson, Arizona—the mother of three children—combines inventing and housework. She has developed a variety of new household utensils, but her real talent, says her father, is designing novel wearing apparel for women and children.

Is there any hope for an aspiring inventor today? “Of course,” says Copeman, emphatically. “The great field today is in the improvement of existing ideas. It might require many attempts before you finally hit the jackpot, but remember that some of the greatest ideas have come out of average kitchens or back-alley workshops.”

What particular fields need improving today? “With our natural resources being depleted so rapidly, I would say that the use of atomic energy for peacetime needs heads the list.”

One good rule for a person who fancies himself an inventor? “It's like any other job—just be alert, and you'll do all right,” says the alert Mr. Copeman. ■

Chemistry blueprints a future free from want

the road to ABUNDANCE

by Jacob Rosin and Max Eastman

THINK FOR one moment of agriculture as a gigantic food factory, and it will strike you as an industrial monstrosity. The floor space required is absolutely prohibitive according to industrial standards. It covers practically all the habitable part of our planet. In the United States alone over one billion acres of farmland are employed in food production. The cash value of the products could never justify such gigantic floor space. Thus, for instance, the cash receipts from farm marketing in the United States for the year 1948 amounted to \$31,018,703,000. This is less than half the income from manufacturing, which amounted for the same year to \$68,217,000,000. Yet the floor space occupied by manufacture is a minute fraction of that occupied by agricultural production.

Even more stupendous than the floor space is the staggering man-

power required by our agricultural food factory. As of today the largest part of mankind is engaged in the production of one single, relatively simple chemical—starch (in the form of wheat, corn, rice, rye, barley, oats, potatoes, etc.). In backward countries almost the entire population is employed in the agricultural food factory. This lavish expenditure of manpower results in a very low standard of living. But even in countries like the United States, with plenty of farm machinery and the most modern methods, the manpower requirements of agriculture are still enormous. In 1948, 9,163,000 persons were employed in agriculture. The chemical industry, which employed only 700,000 persons, produced a much greater variety of goods with a total value of \$11 billion. In terms of dollars and cents, this means that the productivity of a chemical worker is

*Excerpts from "The Road to Abundance," by Jacob Rosin and Max Eastman.
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equal to that of 5.5 agricultural workers. No wonder the average daily wage of a farm worker (not receiving board) was \$5.30 in 1948, whereas the average daily wage of a manufacturing worker in December 1948 was \$11.01.

IN THE United States, agriculture is the main consumer of the most important natural resource, whose conservation has become a grave problem in recent years—namely, water. The farmers use 95 billion gallons of water daily for irrigation purposes, whereas all the industries combined use only 70 billion gallons and the population consumes 15 billion gallons per day personally. In other words, agricultural consumption of water is greater than all other consumptions combined.

Another major drawback of agriculture is its dependence on the weather. Industry goes on producing, rain or shine, but agriculture, with all its tremendous investment of manhours, can never be sure the whole thing will not be wasted. In China, India and other agricultural countries, periodic famines annihilate millions of people. Even countries with the most progressive agricultural

methods cannot prevent staggering losses caused by unfavorable weather conditions.

We are so accustomed to depend upon the plant to produce food for us, and to look upon the good earth with feelings of gratitude and admiration, that it appears almost sacrilegious to consider these "blessings of nature" with the eyes of an industrial efficiency expert. As long as we had no source of food but agriculture, any comparison between industry and agriculture as producers would, indeed, have had only an academic interest. But we intend to show that this is no longer the case. The time has come when the chemical industry can and will, slowly but surely, take over from agriculture the task of food production. In order to see in true perspective this greatest revolution in man's history, we have to apply industrial yardsticks to agriculture and apprehend the inefficiency of the plant as a food producer.

The average agricultural crop utilizes only 0.1 percent of the solar energy falling upon the area where it grows. We can now utilize solar energy approximately 150 times more efficiently than the plant does. Moreover, since only a part of the plant is used for food, often a very small part (compare the apples to the apple tree, the wheat grains to the stalks), and the plant has to expend solar

Mr. Rosin is Director of Research for the Montrose Chemical Company of Newark, N. J. His writing collaborator, Mr. Eastman, has been a Roving Editor for the "Reader's Digest" since 1941.

energy on its entire organism, the utilization of that energy in actual food production is very much smaller than 0.1 percent.

The slowness of food production by the plant is fantastic when compared with any chemical industrial process. The more efficient of these processes are continuous; that is, the product is being produced each moment for twenty-four hours a day. Even the batch processes are generally so organized that the different steps are run parallel to each other, so that the final yield is collected at least once a day. But even if we disregard the general rate of production, and consider the actual processing of an individual batch through its different steps, we find that it generally lasts only a few days, and not several months as is the case with plants. And do not imagine that this is because our natural foods are more complicated than the chemicals we produce synthetically. Very often the opposite is true. The female sex hormone estrone, for instance, the total synthesis of which has been recently achieved, is a much more complicated product than sugar. Moreover, a number of agricultural products are already produced synthetically, and the process differs in no way from that of other synthetic chemicals, its duration being measured in days instead of months.

Another major drawback of agriculture is that the plant's productivity is limited to a certain season of the year. A chemical manufacturer would never consent to operate a factory which had to be shut down every winter, but to the farmer this is normal business procedure.

THE TIME has come to recognize that our dependence for food upon the dilatory and inefficient plant is a cruel bondage. We have given the plant almost the entire "floor space" of our planet, and devoted to it by far the largest part of our energies. And in return we have not gotten enough food to go round. Mankind as a whole, that is, does not get the 6 trillion calories a day that it requires. Mankind is hungry. It will be hungrier tomorrow unless something is done to set it free from bondage to the plant.

Let us make the following point crystal clear: there is no connection between our preference for certain foods and the fact that such foods exist or don't exist in nature. Chocolate ice cream does not grow on trees and french-fried potatoes are not dug out of the ground. Right now we are adding various chemicals to our food to improve its quality. We add preservatives and antioxidants such as sodium benzoate to oleomargarine, propyl gallate to lard and

shortening, sulfur dioxide to dried fruits and citric and ascorbic acid to frozen fruits, in order to protect them from rancidity and deterioration. Without chemical stabilizers such as calcium chloride and sodium citrate, it would be impossible to manufacture good evaporated milk the year round. The tomato canners are able to manufacture an acceptable product only because they use calcium chloride as a firming agent. Coal-tar dyes are widely used to enhance the appearance of a great variety of food such as butter, oleomargarine, fruit juices, jellies, candy, etc. Sodium nitrate and nitrite are used in the curing of meats. All this shows that our palate does not object to "chemicals."

ONCE WE free ourselves of all prejudices and pseudoscientific misconceptions, the problem of synthesizing food does not differ in any essential way from that of synthesizing other products.

The problem divides itself into three main parts: synthesis of carbohydrates, of fats, and of proteins. The synthesis of carbohydrates is by far the most important of these. For the carbohydrates supply about two-thirds of our calorie requirements. Starch in its various forms is our "daily bread."

In principle, there are two approaches to this problem. First,

the imitation of the natural process occurring in the plant — photosynthesis. This means developing, with sunlight as the source of energy, a way of producing sugars and starches by fixation of carbon dioxide, with the help of catalysts similar to chlorophyll. Second, the development of a total direct synthesis from carbon and water without trying to imitate the natural process. This would follow the usual industrial practice of working out the most economical process, and the one most suitable for large-scale production.

Before adopting the first approach, we have to acquire a thorough understanding of photosynthesis as it is carried out by the plants. Much progress has been made in this direction during the last decade—especially since the "tagging" of carbon by means of the radioisotope carbon 14 made it possible to discover the unknown intermediates in the process of transforming carbon dioxide into sugar and starch. The work done along these lines at the University of Chicago shows what progress can be achieved by a research team even on the very limited budget of a university.

Farrington Daniels of the University of Wisconsin said that he would have guessed ten years ago that photosynthesis would come before atomic energy, but atomic

energy won the race because \$2 billion was spent on developing the chance discovery of the fission of uranium. Unfortunately, as long as we do not live in a chemistry-minded society, there is little hope that such funds, although they represent less than 1 percent of the income of the population of the United States will ever be made available for research into photosynthesis — although this may justly be called the most important task mankind ever faced.

HOWEVER, even our present society can only delay this project; nothing can prevent its eventual success. The last doubts about this were dispelled by the recent announcement that Professor Daniel I. Arnon and his associates at the University of California have reproduced the essential part of the process of photosynthesis in a test tube—namely, the reductive fixation of carbon dioxide. They have thus proved, once and for all, that it is possible to reproduce this complex physiological process outside the delicate environment of a living cell.

However, there is another approach to the problem. We do not have to imitate the plant. There is no proof that the plant performs this synthesis in the most efficient or most economical way. Indeed, all of the indications are to the contrary.

Whether the day of liberation from the plant shall come within a few decades, or after many centuries, depends entirely upon our willingness to give chemistry its chance. Hence, one of the main departments in a chemistic government would be the Department of Synthetic Food Production. It would have the task of organizing, mobilizing, and financing a program for achieving Freedom from the Plant. This should be done with the efficiency of the Manhattan Project or the Synthetic Rubber Project, but on a much larger scale. Indeed it should be tantamount to the industrial mobilization of the entire nation as that was achieved during the war by such agencies as the War Production Board.

Will the majority of the people (previously occupied in agriculture) become jobless? This is a natural worry for our present society with its limited resources. In a chemistic society, additional manpower made available is not a liability but an asset. It will be used for raising the living standard of the world population through technological expansion beyond our present power of imagination. It is no longer a question of "each Hottentot getting his bottle of milk." We shall have to supply him with something like a private rocketship for interplanetary travel! ■

A New 700-Acre Home



What happens when an industry wants to expand?

by D. H. McCondichie

IF YOU LIVE in the suburbs, it's impossible to miss the sleek, new manufacturing plants mushrooming all over the countryside. They seem like overnight additions to the outskirts of existing towns or cities. But what you don't see is the painstaking, behind-the-scenes planning and decision-making that goes on before a plant site is finally picked. The decision of Merck & Co., Inc. to build its new 700-acre plant in Albany, Georgia, is a typical case in point.

Merck's need for further expansion sent them on a twenty-six state quest for a site for a new chemical branch. They required a

location on which they could build from the ground up in order to set up shop economically and efficiently.

Obviously, each company has its own special needs. Merck, in this case, finally confined its search to the Southeast where the plant would not be too far from company headquarters in New Jersey.

A group responsible for initial planning drew up definite specifications. It knew exactly what was wanted in terms of freight and passenger transport, energy supply—coal, electricity, fuel oil or gas—and community life, including recreational facilities. Each one of these points had to be sat-

isfied to insure effective plant operation and to provide a setting where company personnel would be content to live.

One of the special requirements for Merck's chemical plant was a supply of water cold enough to cool chemical reactions and pure enough to be used in steam generation. Considering the inevitable waste disposal, they would also need a large river nearby.

With a careful eye to these factors, they immediately screened out a great many otherwise attractive locations. Because no location was perfect or tailor-made, it became a matter of compromise and over-all balance to select the generally most promising site. After threading their way through reams of literature, a team of experienced engineers went into the field to give some fifty communities a thorough looking over.

ANYONE WHO has gone through the vexations of house-hunting will appreciate the job that faced Merck's engineers. They looked at more than a hundred separate properties and talked with an equal number of representatives from local chambers of commerce, railroads and utilities companies. From the tome of statistics gathered on this field survey, informa-

tion was plotted on graphs and charts.

Everything was then boiled down to three possible locations, and top management people of the Engineering, Production and Research Divisions of the company followed through with a field inspection of their own. As soon as the individual divisions independently reached conclusions based on their specific needs, the number one choice was decided upon.

That choice was Albany, Georgia—geographically located in the heart of the Deep South. Once a predominantly agricultural state, Georgia is now experiencing an unprecedented economic boom, with industries flowering in all its sections.

Flowing through Albany is the Flint River—a good-sized, fast-moving river that allows Merck to dispose of industrial waste without abuse to other users. At the same time, the company found large quantities of cool groundwater available at moderate cost because the limestone country of the coastal plains has almost unlimited reserves.

For any industry, transportation is as vital as the nerve network to the human body. Albany's fleet of carriers was more than sufficient: three major and two smaller railroads, numerous trucking companies, two airlines and two bus

Mr. McCondichie is Plant Engineer of Merck & Co.'s new Flint River branch.

lines—all insuring adequate transportation to and from the plant, as well as good facilities for travel between the Georgia site and the New Jersey home office.

In any given locality the tax structure plays an important part in choosing a plant site. Dougherty County, where Merck's Albany plant is located, is a financially sound political unit. Because of the general tax situation in Georgia, industries enjoy favorable rates there and have a chance to grow with their communities.

Merck found an adequate supply of electric power in Albany—at a fair price. While fuel costs for coal, oil and gas were not found to be especially attractive, other factors outweighed this.

Any executive or worker can tell you that good community living makes for good employees. With that in mind, the Merck planning group scouted Albany and saw that it filled the bill. It contains substantial housing to serve the needs of people on all income levels. Schools are excellent and are expanding their facilities. Youth recreational and guidance programs, numerous movie theaters and a splendid public auditorium all contributed to a rounded social picture.

Merck & Co. also looked for—and found in Albany—churches for many faiths, as well as hospitals and several medical clinics.

As for shopping facilities, there is no problem since the city of 40,000 is a trading center for a large part of southeast Georgia.

Nor did the company neglect the recreation angle. Sports enthusiasts especially have a field-day here: golf courses, well-developed lakes for fishing and boating, fine hunting preserves, all extend an invitation to participate.

The 63 percent increase in Albany's population in the past ten years and recognition by *Forbes Magazine* as one of the "Ten Best Cities in the United States" show the vitality of this community.

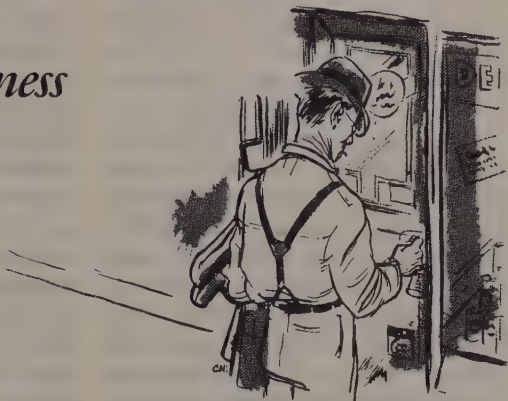
Conscious of the close relation between community and industry, Merck has tried to assume its share of the responsibility. They engaged The Academy of Natural Sciences of Philadelphia to conduct an extensive biological survey of river conditions to serve as a guide to maintaining a long-range program of preventing stream pollution. Dr. Ruth Patrick made recommendations that will help keep this natural resource and its marine life in the best of condition.

From an over-all standpoint, Albany is a community balanced by industry and agriculture, military activities, trading and tourists. Merck is sharing in these advantages and has already been made to feel at home in this bustling community. ■

"Without small business America would be a gigantic skeleton"

Is Small Business on the Way Out?

by J. L. Simon



CAN THE small businessman survive alongside the huge corporate enterprise?

Is it harder to open a new business now than it used to be?

Will our democratic tradition survive if the concentration of economic power continues unchecked?

To these questions, there are both hopeful and discouraging answers.

No one, as yet, is altogether pleased with a definition of what small business really is. But perhaps its meaning as interpreted by the Eightieth Congress offers a reasonable compromise. It said that "a firm is considered small if its position in the trade or in-

dustry of which it is a part is not dominant; the number of employees does not exceed 500; and it is independently owned and operated."

Even if we lower the maximum number of employees to 100, these facts stand out encouragingly:

- The business population has mounted to an all-time high of more than 4 million concerns. By any definition, more than 90 percent of these firms are "small business."

- When the U. S. Department of Commerce checked up for the two years after World War II, it found that 97 percent of all firms starting in business had less than eight employees. This represents a 4 percent hike over the 1939 figure.

In sampling the many reasons why the shopkeeper around the

Mr. Simon, head of J. L. Simon & Co., Accountants, is a writer and lecturer closely associated with the problems of small business and taxation.

corner may be here to stay, Mrs. Betty Craig of Detroit—a part-time housewife—puts the whole thing into a nutshell: “I’ve little time to shop because of the care I give to my children; I also help design shades for my husband’s lamp business. It’s a relief to pick up the phone and order from the butcher and grocer. Considering the service, the quality of food and that important charge account, I doubt if in the long run I overpay at all. And,” continued Mrs. Craig emphatically, “the time I save—no waiting, no carrying of bulky packages—gives me the time and energy for the things I need to do.”

BUSY MRS. CRAIG represents millions of consumers—schoolteachers, career women, purchasers generally—who find it advantageous to patronize the small shopkeeper for his personalized services. They know that the independent shopkeeper often undersells his larger competitors and that he can select merchandise particularly suited to local buying habits.

That is why the independent retailer is managing to hold his own compared to the chain store. Of the \$164 billion of retail sales in 1952, less than 20 percent was done by chains. The accomplishment of these merchants is all the more remarkable in view of the keen competition, their small

working capital and the tax structure which makes it difficult to retain any substantial earnings.

Despite all the hue and cry, there is no basic antagonism between big and small business. Our economy needs both. For example, many aircraft companies could not function near peak efficiency without the thousands of bantam-sized tool-and-die plants which funnel supplies. The Standard Oil Company of New Jersey has over 13,000 creditors who are considered small fry. Chain and mail-order giants deal with as many as 20,000 small manufacturers—each being a source of merchandise. Many “giants” have found that some of their own operations can be performed more economically by the small owner. These big concerns need small business and small business needs them.

The United States Patent Office reports that during the years 1921 to 1938, 77 percent of all patents issued went to individuals and medium-sized firms—a tribute to their enterprise. In many specialty fields where design, style and quality are of first importance, small companies exhibit superior imagination and workmanship. Large organizations are often less well-gearred to compete in these ways because their procedures are standardized. Besides, a variety of competitive producers tends to lower prices and to im-

prove the quality of merchandise.

"Without small business," the Eighty-second Congress said in a lengthy report, "America would be a gigantic skeleton, a great industrial framework lacking blood, flesh and nerves. We need small business, not necessarily because it is small, but because it is a symbol of opportunity."

CONGRESS HAS further provided in its procurement and defense laws that a "fair proportion of total purchases" be placed in the hands of small units. Recent recommendations have stressed the need for legislative action on financial aid, unfair competition and the enforcement of anti-trust laws as they affect small business.

That the government plays an essential role in guarding against unfair competition is well exemplified in the case of two enterprising Californians. As proprietors of drive-in theaters they contended in the Federal Courts that the large movie distributors showed favoritism to indoor theaters by giving them first crack at first-run films. They won their case. As a result, America's 4000 outdoor theaters need have less fear of this type of discrimination.

But the coin is not all one-sided. There are many who feel that there are dominant and even subtle forces now at play in our economy which point to an "Era

of Big Business," and that the great American dream of owning a business of one's own will soon be a thing of the past.

Indeed, they point to the fact that huge enterprises are becoming frighteningly colossal.

A Brookings Institution summary released this year considers the assets of our 100 largest corporations. Between the years 1909 and 1948, there has been a rise of \$41 billion in asset values. In addition, since 1948 profits after taxes have further augmented corporate treasuries between \$8 and \$10 billions annually.

Although statistical proof is lacking, a Congressional committee in a 1952 monograph states that "the rate of economic concentration is accelerating." In this connection, the movement of mergers is somewhat disturbing. The Federal Trade Commission reports that from 1940 to 1947 more than 2450 companies have disappeared as a result of outright purchase. Since 1948 about 800 more liquidations have occurred by the merger process each year. The trend shows no sign of diminishing.

BIG BUSINESS' financial strength makes it impossible for a small entrepreneur to enter such basic industries as steel, automobiles, oil, aluminum, rubber, tobacco, sugar. But, more important, by controlling the chief sources of

supply, by their use of functional discounts, by employment of loss-leader tactics, and still other devices they are in a position to influence the market in the direction of monopolistic control.

Yet, the forces seemingly at work in favor of monopoly control have not stopped ambitious individuals from entering the business arena. The desire to express oneself creatively, the need for higher income, the unquenchable thirst for independence, the urge for accomplishment—all remain compelling incentives.

Of course, more money is necessary now for investment than formerly, especially since the level of prices of all commodities has risen proportionately. While the frontiers of small business appear to be narrower, the increasing space devoted to advertising seems to point to a contrary trend. In one recent Sunday edition of a leading metropolitan newspaper, for example, there were at least 1000 business offerings. Among these offers were scores of businesses that could be purchased anywhere for \$10,000 or less.

MORE THAN 400,000 new firms came into existence in 1952. Newspaper advertisements, trade publications and brokers advertising in these periodicals are the sources most used by those looking for a business. However, word-of-mouth

recommendations from certified public accountants, lawyers, bankers, friends and relatives contribute substantially to these new undertakings.

Yet, if small business is to flourish, its mortality must be reduced. According to a Dun & Bradstreet survey, the chief underlying causes of failure are lack of experience and incompetence. These factors account for 88 percent of disasters. The remaining 12 percent are due to neglect, fraud and other causes.

In 1952, recorded failures amounted to 7611, or less than one-fifth of 1 percent, of all businesses in existence. There were, however, 350,000 other concerns that discontinued voluntarily without any known loss to creditors.

The greatest number of failures occur in the first few years of operation, and it is at this point that inefficient management and lack of external capital are evident. The need for working capital is particularly important, and present banking and government facilities seem inadequate to many. The independent merchant who wishes to start a new business today has to rely chiefly on his own funds supplemented by loans from friends and relatives.

A government survey of trade firms for the years 1945-46 showed that 63 percent of the initial investment of wholesale and retail

establishments combined came from the personal savings of the owner. Fourteen percent was supplied by bank loans, 8 percent by supplier credit, and 15 percent from all other loans. More than 45 percent of the firms financed their business entirely through savings.

THE SMALL businessman must fight for his place in the market. For a reasonable chance at success, experience—plus good business judgment—and capital are essential.

A typical case of short-sightedness and incompetence occurred when Thomas Cairney opened his stationery and toy store in Cleveland. His choice of a corner store was excellent. The street itself had a favorable traffic count. Unfortunately, there were already three other competing stores in the same area. While it seemed to be true that they all were doing well, it soon became obvious that this particular street could not possibly support four stores. Mr. Cairney soon found out the meaning of "inadequate sales" and "competitive weakness."

The fact remains that since the earliest days of our country we have always believed in a free, competitive society and in the role of the small businessman as the backbone of a democratic structure.

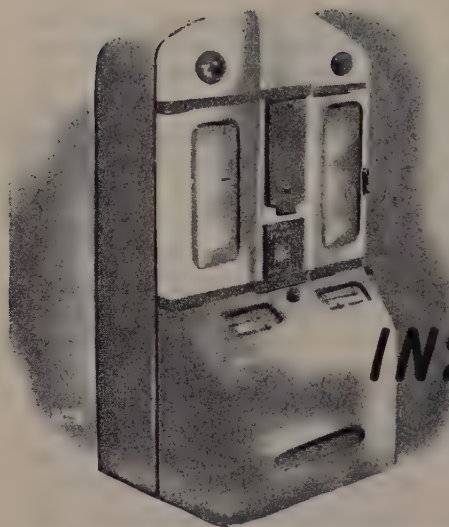
This fact does not detract from the accomplishments of big business. Quite the contrary. It has helped to lower prices and raise our standard of living through mass production and research. At the same time, it has been small business that has aided in the distribution of all products and has kept production strong by taking on vital sub-contracts.

To point up the fact that the stability of our political and economic system is based on the growth and well-being of independent small business, let's recapitulate its solid contributions:

- It gives the consumer an extremely wide choice in the selection of goods and services.
- Ownership of capital is more widely distributed.
- The competitive market is kept alive, giving free play to creativeness, progress, initiative, personal services. ■

How's That Again?

There's a University of Mississippi student who figures to be a financial giant some day. Stranded in Memphis with \$2 and needing \$3 to buy a ticket back to college, he pawned his \$2 in a pawn shop for \$1.50, then sold his pawn ticket to a passerby for another \$1.50. That gave him the \$3.



modern vending machines
have a lot to offer—from
freshly cooked roast beef
sandwiches to divorce decrees
—all yours if you

INSERT COIN

by Morgan Webb

ALL YOU'LL NEED to participate in the zany goings on of our automat age is the urge and a handful of small change.

Serve-yourself coin machines for dispensing all sorts of merchandise have grown into a billion-dollar business yearly. Experts believe it will top \$3 billion by 1955.

One of the surprise numbers in such devices is a sandwich machine which delivers freshly radar-cooked roast beef, hamburger and frankfurter sandwiches at the drop of a coin. These machines have already made their appearance in many parts of the country. George M. Seedman, President of the National Automatic Merchandising Association, says that the sandwich machine is

a forerunner of other coin-operated devices which will enable one to enjoy a complete meal—minus waiter or waitress. Such a machine is now in manufacture, offering several complete dinners with salad and dessert.

According to Mr. Seedman, Americans spent a billion dollars last year for merchandise sold in vending machines. The machines themselves cost from about \$10 for a penny gum device to \$1100 for an impressive monster that delivers various kinds of soft drinks in cups.

Although most of us have become accustomed to candy, soft drink and cigaret machines, complete figures on the industry make one wonder if the day of the retail

clerk isn't about numbered. Dick Schreiber of Chicago, editor of *Vend*, the industry's magazine, offers some figures to substantiate this. He points out that in the United States there are now 500,000 machines selling candy at the rate of 50 million packs a week.

Other machines and their sales volume, he adds, are: cigars, 20,000 units disposing of 700,000 cigars a week; bottled beverages, 300,000 units putting out 51 million bottles a week; and one-cup soft drinks, 20,000 units dispensing 15 million cups weekly. The number of jukeboxes in the country runs into astronomical figures, as do small-change grabbers like pinball, shuffleboard and target-shooting machines.

ALTHOUGH new types of self-service gadgets are brought out frequently by the dozen or so companies manufacturing them, there is no dearth of markets. High schools, colleges, hospitals, office buildings, factories, supermarkets and clubs are some of the places where such devices were seldom tolerated but now find a welcome.

Nearly every theater in the nation has at least one vending machine of some type, receipts from which often keep the theater in business. During the war, indus-

trial plants proved the value of having a candy or soft drink vendor within easy reach. Managers found that workers did a better job if they could snatch a cold drink or candy bar in mid-afternoon without going outside for it.

There is a machine that allows you six minutes' use of an electric razor, and a squirt of after-shave lotion for the same two-bits. One manufacturer has come up with a robot bar. It doles out Scotch or bourbon highballs with water, soda or ginger ale. It's not on the market for public use at this time, but its inventor believes that it will be a hit in offices and clubs.

While the United States leads all other countries in vending-machine production, it lags behind a bit in ingenuity. For instance, in downtown Stockholm, Sweden, there is a machine that hands out 200 different items—practically a self-contained grocery store. Denmark's Wittenborgs Automatfabriker, Europe's largest vending machine manufacturer, is giving us the benefit of a century's experience by widely distributing its multiple-service machines on the American market through its Automatique branch here.

It is no lack of inventive genius on the part of Americans that slows down their output of radically new machines. According to Schreiber, present manufacturers are so busy producing conventional

Mr. Webb is a free-lance writer who has contributed to many national magazines.

vendors as replacements and meeting increased demands that they have not had the time to develop newer and more complex types. Time will see some startling innovations, many of which are now on the drawing boards.

In the realm of really unique vending machines is one built into the First Methodist Chapel in Los Angeles. Known as the "electric music pew," it is the first automatic device used by a church and requires no coin to operate. Anyone may step into the church, press a button and choose from a variety of sacred songs, scriptural readings or choir quartets. There are twenty selections on the button panel, and these recordings are changed just like regular jukebox recordings, although not as often. Dr. J. Richard Sneed, pastor, says: "Ours is, to my knowledge, the only chapel in America with such service."

Whether old or new, some of these machines have fascinating slants. One of the first devices invented for obtaining the nickel from the user of a public telephone was a booth having a door-lock that snapped shut when you stepped inside and required the insertion of a coin in order to be opened. You simply remained a prisoner until you deposited your nickel!

Some sixty years ago in Corinne, Utah, you could get a divorce de-

cree from a vending machine for \$2.50. There was no waiting, no appearing in court and no dicker-ing with lawyers, though the machine was operated by a firm called Johnson & Underdunk, Attorneys at Law.

This startling device stood on Main Street in front of the law office. It had slots for silver dollars and half dollars and bore the blunt invitation, "Get Divorces Here, \$2.50." For that sum, a signed, sealed and delivered decree rolled out, in duplicate in case anybody wanted to let the party of the second part know that he or she had been divorced. Blank spaces were provided for the name of the parties and alimony. But Utah legislators cracked down on this slick scheme which threatened to become a profitable menace.

Finally, one of the latest ideas we've heard about comes from an Indianapolis housewife, Jane Burgess, who has invented an umbrella that could be sold by the slot-machine method. It is designed to be used by those poor wretches who are caught in the rain without an umbrella. Made of waterproof paper, it is supposed to be used once and tossed away. Its cost should be no more than a quarter. The only drawback at this time is that so far no machine has been invented for dispensing this rain-shedder. Tomorrow will change that. ■

ECONOMICS IN ACTION

Public Housing starts for the 1953-54 fiscal year will be limited to 20,000 units--42,000 less than the Public Housing Administration has already contracted for. Together with the lifting of federal rent ceilings, this will probably mean moderate rent hikes all around.

On the other hand, Uncle Sam still manages TVA and will probably continue to do so despite some Republican opposition.

These economies do not mean that the government is out of the red. Fiscal experts predict at least two more unbalanced budgets, but hope that deficits will be substantially lower:

For 1954, they predict, the Administration will be able to cut our deficit to about \$4 billion if the Korean truce remains in force and taxes stay where they are right now.

Tax cuts will be an important factor in 1955, as we begin to feel the loss of revenues from excess profits taxes. Expenditures will have to be greatly reduced and, barring a real change in the international picture, fiscal experts do not think this is possible.

Moscow is training her economic guns on the West...This Stalin-sponsored trade flirtation began in Moscow in mid-1952 and has been stepped up by Malenkov as part of his peace offensive. Progress so far is impressive:

A \$70 million Franco-Soviet trade deal according to which the Russians promise to supply such strategic materials as asbestos, manganese and crude oil. Trade pacts with Denmark, Greece and the Netherlands.

ECONOMICS IN ACTION

Red China's trade offensive is even more spectacular and has been given fresh impetus by the truce:

British exports to China have risen from \$900,000 in 1952 to \$7 million right now. Britain has just signed another \$10 million trade pact and is already pressing for relaxation of present embargoes on strategic materials.

The Japanese, once the principal supplier of China, have also been pressing for relaxation of embargoes. Reason: a trade deficit of almost a billion dollars.

Italy has signed an agricultural barter deal to the tune of \$60 million.

In terms of dollars and cents this doesn't amount to much, but Administration officials are worried about political consequences. One way out: easing U. S. tariffs.

The Department of Better Mousetraps: a "marriage stabilizer" machine that records the reactions of prospective couples to standard questions and then compares notes to decide if it will be "forever"... a portable chess and checker set that keeps "men" in position when case is closed...canned soda pop... a cigarette with a built-in match...a "hangover" kit offered by one mail-order house complete with tomato juice, aspirins, chewing gum, seltzer, mint and wash cloth...artificial steel limbs for pets...X-Rays in "glorious" color...Pygmy watermelons smaller than a bowling ball...a zipper clothesline that does away with clothespins...a cheese wrapper that will prevent the growth of mold...a guaranteed leakproof flashlight battery...and finally, a machine that both punches and binds paper in a single operation.